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Daily Report
Latin America

FBIS-LAT-96-063 *1 April 1996*

CONTENTS

INTER-AMERICAN AFFAIRS

Inter-American Affairs: Cuba, Other Nations Sign ALADI Pact *[Havana Radio]* 1
Inter-American Affairs: Venezuelan Minister on Corruption *[EL NACIONAL 26 Mar]* 1
Inter-American Affairs: Panamanian Minister on Corruption *[Madrid EFE]* 2
Inter-American Affairs: Anti-Corruption Convention Signed *[NOTIMEX]* 3

CARIBBEAN

Cuba

Cuba: French Commission Signs Accord, Addresses U.S. Law *[Havana TV]* 4
Cuba: Colombia's Samper Stresses Rejection of U.S. Law *[PRENSA LATINA]* 4
Cuba: Minister 'Pleased' by Venezuelan Stance on U.S. Law *[PRENSA LATINA]* 4
Cuba: Radio Views NAM Actions Against Helms-Burton Law *[Havana Radio]* 5
Cuba: RSF Condemns Arrest of HAVANA PRESS Director *[Madrid EFE]* 5
Cuba: Carlos Lage Comments on 'Complex' Economic Recovery *[Havana Radio]* 6
Cuba: Radio Highlights Carlos Lage Address at PCC Plenum *[Havana Radio]* 6
Cuba: Radio Views PCC Central Committee's Plenum Report *[Havana Radio]* 9
Cuba: CDR Meeting Analyzes PCC Plenum Report *[Havana TV]* 10
Cuba: Commentary Views 1996 Economic Plan, Goals *[Havana Radio]* 10
Cuba: Government Confirms Adherence to PCT *[PRENSA LATINA]* 11
Cuba: Castro Comments on Sugar Production at Ceremony *[Havana TV]* 11
Cuba: Report Addresses Current Harvest Sugar Production *[Havana Radio]* 12
Cuba: Resolution Establishes Personal Income Tax *[Havana Radio]* 13
Cuba: Advertisement Tax To Be Imposed Beginning 1 Apr *[Havana Radio]* 13
Cuba: Roundup of Politburo Activities Through 28 Mar *[Havana Radio, etc.]* 13
Cuba: Roundup of Sugarcane Developments Through 31 Mar *[Havana TV, etc.]* 14

Haiti

Haiti: Executive To Sign Letter of Intent To Release Aid *[Port-au-Prince Radio]* 14
Haiti: Radio on Scheduled Arrival of U.S. Congressmen *[Port-au-Prince Radio]* 15
Haiti: Radio Says 1995-1996 Budget 'Dragging Along' *[Port-au-Prince Radio]* 15
Haiti: Foundation To Hold Public Debates on Army, Police *[Port-au-Prince Radio]* 15
Haiti: Police Declare Curfew in Northern City *[Port-au-Prince Radio]* 16

MEXICO

Mexico: PRI Reacts To U.S. Approval of Immigration Law *[LA JORNADA 27 Mar]* 17
Mexico: Bulletin on Antidrug Training Exchange With U.S. *[Mexico City TV]* 17
Mexico: Foreign Minister Talks With Uruguayan Counterpart *[NOTIMEX]* 17
Mexico: Foreign Secretary on International Cooperation *[NOTIMEX]* 18
Mexico: Secretary Says NAFTA Helped Increase Exports *[NOTIMEX]* 19
Mexico: Zedillo on Economic Policy, Recovery, Growth *[Mexico City TV]* 19
Mexico: Bankers, Brokers Comment on Economic Policies *[EL FINANCIERO 27 Mar]* 19
Mexico: President Zedillo Endorses Direct Elections *[Mexico City TV]* 20
Mexico: ABM Rejects Possibility of Technical Bankruptcy *[EL FINANCIERO 28 Mar]* 21
Mexico: Energy Secretary Discusses Industry Privatization *[Mexico City TV]* 22

Mexico: Four Leftist Parties To Form 'Common Front' *[LA JORNADA 26 Mar]* 22

CENTRAL AMERICA

Costa Rica

Costa Rica: Government Grants Asylum to Ecuador's Dahik *[ACAN]* 23

El Salvador

El Salvador: Time Requested To Implement Shrimp Measures *[EL DIARIO DE HOY 24 Mar]* 23
El Salvador: Official Says Creation of FTAA Not Easy Task *[EL DIARIO DE HOY 26 Mar]* 24
El Salvador: Peasants March To Reject Government Debt Plan *[CO LATINO 28 Mar]* 25

Guatemala

Guatemala: Squatters Scorn Constitution, Peace Process *[SIGLO VEINTIUNO 27 Mar]* 26
Guatemala: President Arzu, Gen Balconi on Peace Talks *[Guatemala City TV]* 26
Guatemala: Flores Residents Attack Minugua Office *[SIGLO VEINTIUNO 28 Mar]* 27
Guatemala: Arzu Comments on Cease-Fire, Peace Talks *[SIGLO VEINTIUNO 29 Mar]* 27
Guatemala: Minugua Notes Positive Change in Human Rights *[PRENSA LIBRE 29 Mar]* 28
Guatemala: Government, URNG Continue Round of Talks *[Guatemala City TV]* 28
Guatemala: Government, URNG End Talks Closer on Issues *[NOTIMEX]* 28

Honduras

Honduras: BCH President Reveals 1996 Monetary Plan *[EL PERIODICO DE HONDURAS 29 Mar]* 29

Panama

Panama: CBN 'Not Responsible' in Banaico Case *[LA PRENSA 28 Mar]* 30
Panama: Article on Banaico Case, Necessary Precautions *[LA PRENSA 28 Mar]* 31
Panama: Economic Impact of U.S. Bases Leaving Viewed *[EL PANAMA AMERICA 29 Mar]* 32
Panama: Column Views Costs, Uses of Areas To Be Reverted *[EL PANAMA AMERICA 29 Mar]* 33
Panama: Commissions Installed for Canal Transition *[Panama City TV]* 34
Panama: Parties Faulted For Not Accepting Report on Bases *[LA ESTRELLA DE PANAMA 30 Mar]* 35
Panama: Korean-U.S. Consortium To Invest in Amador Area *[LA PRENSA 30 Mar]* 35
Panama: Cabinet Council Approves President's European Trip *[LA PRENSA 30 Mar]* 36
Panama: Economic Report on U.S. Withdrawal Viewed *[EL PANAMA AMERICA 30 Mar]* 36
Panama: Canal Users Argue U.S. Presence Offers Security *[EL UNIVERSAL DE PANAMA 30 Mar]* 37
Panama: Evergreen Invests $75 Million in Port Construction *[Panama City TV]* 38
Panama: PRD Reportedly To Approve Amnesty, Draft List *[EL PANAMA AMERICA 31 Mar]* 38
Panama: Politician Says U.S. Bases Can Be Economic Centers *[EL UNIVERSAL DE PANAMA 31 Mar]* 39
Panama: Government Decree Creates Foreign Trade Council *[LA PRENSA 31 Mar]* 39
Panama: National Security Council on U.S. Certification *[EL UNIVERSAL DE PANAMA 31 Mar]* 40

SOUTH AMERICA

Argentina

Argentina: Menem, 'Arafat Seek U.S. Help in Gaza Strip *[TELAM]* 41

Argentina: Article on Menem, 'Arafat Conversation *[TELAM]* 41
Argentina: Cavallo, Chile's Aninat Review Mercosur Entry *[NOTICIAS ARGENTINAS]* 42
Argentina: Economist Views Labor Cost, Unemployment *[CLARIN 15 Mar]* 42
Argentina: Decree Creates Labor, Employment Council *[LA NACION 16 Mar]* 43
Argentina: Analysis of Reasons for High Interest Rates *[CLARIN 18 Mar]* 44

Bolivia

Bolivia: MIR Deputy Critical of U.S. Envoy's Remarks *[La Paz Radio]* 45

Brazil

Brazil: Work by Government 'Bulldozers' Analyzed *[O GLOBO 22 Mar]* 45
Brazil: Implications of Proer Bank Rescue Plan Explained *[JORNAL DO BRASIL 26 Mar]* 46
Brazil: Accusation of 'Setup' in Social Security Reform *[AGENCIA ESTADO]* 47
Brazil: Roundup of Economic Reports Through 29 Mar *[Brasilia Radio, etc.]* 47

Chile

Chile: Frei Says Entry to Mercosur 'Irreversible Decision' *[Santiago TV]* 50

Colombia

Colombia: Alleged Chief of Cartel's Finances Arrested *[NOTIMEX]* 50
Colombia: Cartel Capo Ortiz Surrenders to Authorities *[Santa Fe de Bogota Radio]* 51
Colombia: Arrested Cartel Capo: 'I Am No Terrorist' *[Santa Fe de Bogota Radio]* 51
Colombia: Italian Engineer Abducted by Guerrillas *[Rome TV]* 52
Colombia: Defense Minister Sends Letter to U.S. Official *[EL TIEMPO 31 Mar]* 52
Colombia: Editorial Condemns U.S. Envoy's 'Interference' *[EL COLOMBIANO 27 Mar]* 53
Colombia: U.S. 'Pressure' Behind International Problems *[EL ESPECTADOR 17 Mar]* 54
Colombia: Cuban-Americans Said Linked to Cali Cartel *[CAMBIO16 COLOMBIA 25 Mar]* .. 55
Colombia: Attorney, Prosecutor General 'Cross Fire' Viewed *[EL ESPECTADOR 25 Mar]* ... 57
Colombia: Vasquez on Charges Against Valdivieso *[Santa Fe de Bogota Radio]* 57
Colombia: De la Calle Views Early Election Proposal *[EL TIEMPO 29 Mar]* 59
Colombia: Business Leaders Appear Before Congress *[EL TIEMPO 28 Mar]* 60

Ecuador

Ecuador: President Surveys Earthquake 'Disaster Zone' *[Quito Radio]* 61
Ecuador: Norway Donates Funds for Earthquake Victims *[Madrid EFE]* 62
Ecuador: Electoral System Analyzed *[ECUADORAN ELECTORAL LEGISLATION Dec 90]* .. 62

Peru

Peru: Role of Securities Commission Discussed *[PERU ECONOMICO Feb 96]* 69
Peru: Improvements in Customs Operations Noted *[PERU ECONOMICO Feb 96]* 70
Peru: Bank Reforms Assessed *[PERU ECONOMICO Feb 96]* 71
Peru: Public Pension Schemes Assessed *[PERU ECONOMICO Feb 96]* 72
Peru: Growth of Competition, Copyright Agency *[PERU ECONOMICO Feb 96]* 74
Peru: Agriculture Head on Government Role *[PERU ECONOMICO Feb 96]* 76
Peru: Changed Expectations of Economic Policy Viewed *[PERU ECONOMICO Feb 96]* 77
Peru: Role of Central Bank Examined *[PERU ECONOMICO Feb 96]* 78
Peru: Taxation Agency's Operations Analyzed *[PERU ECONOMICO Feb 96]* 80

Uruguay

Uruguay: Accord With Russia on Social, Labor Ties Signed *[EL PAIS 8 Mar]* 81

Uruguay: Foreign Minister on Mercosur's Progress *[LA MANANA 25 Feb]* 82
Uruguay: Daily Interviews Army Commander on Plans *[LA MANANA 20 Mar]* 83
Uruguay: Central Bank President To Resign 'Soon' *[EL OBSERVADOR 13 Mar]* 84
Uruguay: Industry Minister Defends Economic Policies *[EL OBSERVADOR 12 Mar]* 84
Uruguay: Sanguinetti Said To Maintain Popularity *[EL OBSERVADOR 6 Mar]* 85

Venezuela

Venezuela: Colombian Guerrillas Breach Border Security *[EL NACIONAL 29 Mar]* 85
Venezuela: Official Comments on Meeting With IMF Mission *[EL NACIONAL 29 Mar]* 86
Venezuela: Defense Minister Dispels Rumors of Coup *[EL GLOBO 27 Mar]* 86
Venezuela: Minister Comments on Destabilization Groups *[Caracas TV]* 87
Venezuela: Defense Minister Comments on Caracas Attacks *[Caracas TV]* 87

Inter-American Affairs: Cuba, Other Nations Sign ALADI Pact

PA3003033896 Havana Radio Rebelde Network in Spanish 1800 GMT 28 Mar 95

[From the "National Radio News" newscast]

[FBIS Translated Text] Cuba and the 11 countries members of the Latin American Integration Association [ALADI] signed a scientific and technological cooperation agreement in Cartagena de Indias, which originated two years ago in Uruguay.

The agreement was made official by the ministers in charge of those sectors in ALADI and Cuba, who adhered to the initiative.

Inter-American Affairs: Venezuelan Minister on Corruption

PA2903121196 Caracas EL NACIONAL in Spanish 26 Mar 96 p A3

[Report by Gioconda Soto]

[FBIS Translated Text] "This government is a victim of the corruption of previous governments," Foreign Minister Miguel Angel Burelli Rivas said yesterday after rejecting claims that more has been stolen in the first two years of this administration than in previous administrations.

"It is untrue that there is more corruption now," the diplomat repeated on various occasions after explaining no healthy person goes to see a doctor. Assuming that corruption has increased, which he denied, the thing to do now "would be to find a remedy to cure the disease," he added.

The official's statements contradicted Comptroller General Eduardo Roche Lander and Democratic Action Deputy Paulina Gamus, who noted there are few public administration measures to control corruption, and that corruption has worsened in the past two years.

Burelli Rivas justified President Rafael Caldera's decision to become the anti-corruption standard-bearer, because of the moral authority the president has, and because "of the example he sets for a weak nation that does not have faith in itself, because corruption of the past has stripped its joy of living."

The foreign minister made these statements yesterday at a news conference at the Yellow House to explain the scope of the Inter- American Convention against Corruption that will be signed in Caracas on 29 March by the 34 OAS member countries.

The meeting will be opened on 27 March by OAS Secretary General Cesar Gaviria, who will arrive in Maiquetia tonight, and by President Rafael Caldera.

The delegations that will participate in the conference started to arrive last weekend and they are mostly high-level ones, diplomatic sources said yesterday.

After meeting with the delegation that will represent Venezuela starting on 27 March at the continental meeting, the foreign minister insisted that the international community already has an "articulated awareness that if each country and the community to which it belongs fail to fight inefficiency and the dirty side of democracy, we will fall into the hands of satrapies." [as published]

Burelli Rivas admitted the convention will not end corruption, but it will end impunity, and he predicted it will "reduce the size of the world of those that harm the state."

Corruption, as a "reflection of a troubled humanity is inextinguishable, but the convention will establish guidelines for the hemispheric community first and then for the world to hassle and pursue criminals of the public treasury," Burelli Rivas added.

In reviewing the draft convention, the foreign relations minister underscored OAS efforts to harmonize the juridical differences that exist among the American countries based on the Anglo-Saxon and Roman origin of their laws.

He insisted on the importance of defining the crimes and on the universalization of crimes such as illegal enrichment.

Convention Will Affect Fugitive Bankers

Despite the nonretroactivity principle of all laws, the head of the MRE [Foreign Relations Ministry] admitted fugitive bankers will be the "passive subjects" of this convention. He pointed out the convention could be used to request the extradition or seizure of ill-gotten goods, because these persons were already tried in the country.

"Whatever happened in the past that ashamed us cannot be repeated in the future," the foreign minister said referring to future actions that the convention will establish.

As an example, Burelli Rivas said if the United States and Venezuela signed the document, it could serve to "claim (from that state) those individuals via extradition or to request that asylum be denied to them."

The foreign minister voiced reservations with regard to this juridical interpretation in the case of former Peruvian President Alan Garcia, who was granted asylum

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in Colombia and is accused by his country's justice for irregularities during his tenure as head of state.

"It is a case that we cannot comment on because it is outside our jurisdiction and we do not know what status he received from the state that granted him asylum. His case started as an asylum case and did not involve the pursuance of the crimes that we conceived for this convention. The evolution of the status, which depends on the state granting the asylum, is outside the scope of this convention and the opinion of the Venezuelan Government," Burelli Rivas noted.

Political asylum is currently among the main obstacles to winning the extradition of those accused of corruption, especially in Latin America, where this juridical tradition is respected.

In view of this reality, the legal draft that the OAS is studying establishes a special article on this issue banning states from granting political asylum to persons accused of corruption.

Congresses, Trial by Fire

When asked how long it would take Venezuela to apply the convention to the case of the bankers, Burelli Rivas talked about the ratification processes at the legislative assemblies of OAS member countries that must follow the document's signing on 29 March. He described this as a great trial by fire.

As established by the multilateral organization, the document would come into force 30 days after it is ratified by the respective congresses.

The foreign minister believes it is possible this document will come into force this year in part due to public pressure and "international moral demands" in the struggle against corruption.

We hope this document will not run the fate of other international treaties in Venezuela that have been around Congress for up to 15 years, Burelli Rivas added.

The foreign minister admitted this time around he trusts the process will be accelerated "as a measure to cleanse the image of democracy," which is an interest that both the executive and legislative branches share.

In this regard (ratification), I refer to the "awareness" that prevailed in Miami when President Caldera proposed this issue at that hemispheric summit and his anticorruption proposal became its central topic.

Inter-American Affairs: Panamanian Minister on Corruption

PA2903041596 Madrid EFE in Spanish 2003 GMT 27 Mar 96

[FBIS Translated Text] Caracas, 27 Mar (EFE) — Panamanian Foreign Minister Gabriel Lewis Galindo today told EFE corruption and all its sequels have become a new danger that threatens Latin America's political stability.

Lewis Galindo is participating in the Inter-American Conference Against Corruption that the OAS began today in Caracas with the participation of more than 100 representatives from 34 nations.

The Panamanian foreign minister indicated that his country has conferred great importance to the conference because "corruption and drugs are the scourges of every country nowadays, and it will be difficult to overcome poverty until something is done against them."

Lewis Galindo told EFE: "We have had problems with corruption in Panama but President Ernesto Perez Balladares' government launched an all-out war against this crime."

The Panamanian foreign minister said corruption is an old problem in Latin America, and he cited illustrious Venezuelan independence leader Simon Bolivar, who said "if a perverted nation achieves its freedom it will soon lose its freedom again because others will struggle in vain to show it that happiness involves the practice of virtue."

Lewis Galindo said that "a new danger threatens the political stability that currently prevails in Latin America: Corruption and all its sequels."

"In other words, governments are no longer toppled by military coups, or ousted by popular revolutions; instead, they fall from within, precisely due to the burden of corrupt actions," he said.

According to the Panamanian foreign minister, "nations' ability to forgive results in erroneous decisions, wrong calculations, or failed projects, but they are always done in good faith."

"What nations cannot forgive is the unethical handling of public finances, the commissions charged for services that should be free, the illegal enrichment, and all forms of mockery against those who engage in productive work, abiding by basic moral norms," he indicated.

The Inter-American Conference Against Corruption, being held with the OAS sponsorship, will conclude on Friday; and its goal is to outline the necessary mechanisms so American nations may cooperate in the

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prevention, punishment, and abolishment of corruption in the continent.

Inter-American Affairs: Anti-Corruption Convention Signed

PA3003230696 Mexico City NOTIMEX in Spanish 2311 GMT 29 Mar 96

[By Edelmiro Franco]

[FBIS Translated Text] Caracas, 29 Mar (NOTIMEX) — The Inter-American Convention Against Corruption was signed today in this capital to strengthen democratic institutions and governments, Latin American diplomats and officials have affirmed here.

Discussion of the document was "ardous, difficult, and intense," said Edmundo Vargas Carreno, the Chilean representative to the OAS, during the closure of the Inter-American Conference Against Corruption.

According to Mexican representative Arsenio Farell Cubillas, the convention is "another instrument to combat corruption that gives us tools to obtain international cooperation."

The treaty, which was signed by 21 of the 34 participating countries, is "very much in keeping with the theory of President (Ernesto) Zedillo, who has ordered us to combat all acts of corruption within the framework of the law but without hesitation," he added.

"We are convinced corruption undermines the legal system, man's freedom, and democracy," the Mexican official has said.

Miguel Angel Burelli Rivas, conference president and Venezuelan foreign minister, has said the OAS has achieved much for the defense of democracy by promoting the treaty against corruption.

In his speech, Colombian Justice Minister Carlos Medellin has underscored the relationship between drug trafficking and corruption. He has said these two crimes must be combated through bilateral and multilateral actions.

The Colombian official has insisted the "fight against corruption and drug trafficking must involve universal actions and not unilateral evaluations," in clear reference to the U.S. decertification of the antidrug struggle waged by the government of Ernesto Samper.

The treaty has 28 articles on the crime of corruption, preventive measures to be adopted by the states, the extradition of foreigners, cooperation to lift banking confidentiality, illegal enrichment, and international bribery, among other clauses.

The document was signed by Bolivia, El Salvador, the Dominican Republic, Paraguay, Colombia, Haiti, Panama, Brazil, Suriname, Peru, Trinidad and Tobago, Costa Rica, Ecuador, Uruguay, Mexico, Chile, Argentina, Jamaica, Honduras, and Chile.

The other OAS member countries did not sign the document, some because they did not attend and others because their respective legislatures do not allow them to sign agreements without having their respective central governments review them first.

The United States and Canada, which are among those who did not sign because their lawmakers ban them from doing so, have said they are pleased with the text of the inter-American treaty.

"The Canadian delegation is pleased with the text of the convention, but we cannot sign it, because it must be reviewed by our cabinet, and we are certain it will we reviewed in the most positive light," a spokesman of the Canadian representation has said.

One of the spokesmen for the U.S. delegation has said Washington will analyze the convention "very seriously," and he has reaffirmed his support to the final text of the Inter-American Treaty against Corruption.

The Uruguayan delegation has voiced its concern because a public order clause it proposed was not included.

Didier Opertti, chief of the Uruguayan delegation and interior minister, has said: "Uruguay puts on the record its concern for the noninclusion of the public order clause."

The Uruguayan clause has stated that "cooperation within the convention may be denied when the state that receives the request deems that fulfilling that request could undermine its sovereignty, security, public order, and other basic interests."

Countries that have signed the treaty must have their respective Congresses approve it so as to give it the force of law.

The Inter-American Convention Against Corruption is open for signing by the other countries on the continent and will go into force 30 days after at least two states approve it, according to the final text of the document.

Signing of this treaty is among the commitments made by the 34 presidents of the continent, except Cuba, at the Summit of the Americas in Miami in December 1994.

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Cuba

Cuba: French Commission Signs Accord, Addresses U.S. Law

PA3003194396 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 28 Mar 96

[FBIS Translated Text] Just a few minutes ago, Cuba and France agreed to continue its scientific, technological, and cultural cooperation. This was ratified by the 10th meeting of the Joint Cuban-French commission. The cooperation protocol was signed by [Ives Uban de la Mesussier], director for cultural and linguistic cooperation of the French Foreign Ministry, and Luis Garcia Peraza, director of the Europe Desk of Cuba's Foreign Ministry. Both sides stressed the importance of this accord, which gives continuity to the exchange begun in 1975 between both countries.

[Begin recording] [Unidentified reporter] There is the risk that it might not be possible to fulfill the agreement signed today.

[French Ambassador Jean Raphael Dufour, identified by caption] Well, I believe we have to maintain the necessary equanimity in response to a decision taken the U.S. Congress. I do not believe this is the right way to handle international relations, and our view is that we disagree with such a law. We announced in Brussels measures to fight against the consequences of that law. [end recording]

Cuba: Colombia's Samper Stresses Rejection of U.S. Law

PA3003003396 Havana PRENSA LATINA in Spanish 2243 GMT 20 Mar 96

[FBIS Translated Text] Santa Fe de Bogota, 28 Mar (PL) — Colombian President Ernesto Samper today expressed support for Cuba and stressed his government's rejection of the Helms-Burton law, which tightens the economic embargo of more than three decades against Cuba.

Samper received special Havana Government envoy Jorge Bolanos at noon today, congratulated himself over the present status of the relations between the two countries, and expressed special interest in improving bilateral cooperation ties.

Samper showed interest in Cuba's opinion on the actions of Colombian Ambassador to the United Nations Julio Londono, who also heads the Nonaligned Movement's [NAM] Coordination Bureau.

Deputy Foreign Minister Bolanos said his government is very satisfied over Londono's position of support for Cuba during recent diplomatic negotiations at the United Nations as the highest NAM representative in New York.

Bolanos told PRENSA LATINA that Samper was very receptive and sensitive to his detailed explanation of the Helms-Burton law's scope and the 24 February incident, where two pirate lightplanes violated the Cuban airspace.

Bolanos continued to say that Cuba's sovereignty has been violated by U.S. planes and ships again and again in the past and that the best proof occurred over the past weekend, when planes again violated the island's airspace.

At the end of the 45-minute conversation, Samper thanked Bolanos for the visit and told him to hug Fidel Castro, leader of the Cuban revolution, on his behalf.

A few hours earlier, Bolanos had met with acting Senate President Jose Antonio Gomez, who pointed out the coincidence that the United States has interfered with the internal affairs of both Cuba and Colombia.

Gomez, who is a member of the opposition Conservative Party, and Chamber of Representatives leaders underlined the friendship and cooperation ties between the two countries and reiterated their solidarity with Cuba.

During his stay of nearly 72 hours in Santa Fe de Bogota, Bolanos talked also with Acting Foreign Minister Camilo Reyes and Colombian academicians, politicologists, and journalists.

Satisfied over the result of his visit to Colombia, Bolanos will shortly depart for Venezuela. Later, he will fly to Mexico, the final stage of a tour through Latin America which previously took him to Uruguay, Argentina, Peru, Bolivia, and Brazil.

Cuba: Minister 'Pleased' by Venezuelan Stance on U.S. Law

PA3103012396 Havana PRENSA LATINA in Spanish 1824 GMT 29 Mar 96

[FBIS Translated Text] Caracas, 29 Mar (PL) — Cuban Vice Foreign Minister Jorge Bolanos today was pleased with Venezuela's rejection of the Helms-Burton law, which U.S. President William Clinton signed recently to strengthen the blockade against Cuba.

Bolanos, who arrived from Colombia last night as part of a tour of eight Latin American countries, met with Deputy Foreign Minister Milos Alcalay for two hours. He told national and foreign reporters that they had discussed details of the 24 February downing of the airplanes flying over Cuban territorial waters and Cuba's position regarding the Helms-Burton law. He

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was pleased that Chile, Argentina, Bolivia, Uruguay, Brazil, Colombia, and Venezuela have rejected the Helms-Burton law.

Bolanos praised the high level of diplomatic, economic, and trade relations between these countries and Cuba. These relations are based on specific achievements and their own merit rather than on the influence of others. He added that the unequivocal rejection of the Helms-Burton law is based on the understanding that this legislation with its extraterritorial nature to diminish national sovereignty of countries that have relations with Cuba attempts to destroy the revolution.

Bolanos said the new violations of Cuban territory this past Saturday and Sunday, although a delegation from the International Civil Aviation Organization (ICAO) was in Cuba, contribute to strengthen Cuba's position and the need to put an end to these incidents.

He exposed the aggressive nature of the Helms-Burton law, which seeks to smother Cuba economically and intents to create internal conditions to prompt a military intervention through international organizations or the United States. Evidently, he added, we maintain a solid position against any type of intervention from whatever source.

On other issues discussed with Alcalay, he confirmed Foreign Minister Miguel Angel Burelli's upcoming visit to Cuba. The exact date of his arrival is still pending, but May seems appropriate.

Bolanos will stay in Venezuela until the morning of 31 March, when he will continue his trip to Mexico.

Cuba: Radio Views NAM Actions Against Helms-Burton Law

PA0104003096 Havana Radio Havana Cuba in Spanish 0000 GMT 30 Mar 96

["Station commentary" read by Norberto Hernandez Valdes; from the "Evening Information Review" newscast]

[FBIS Translated Text] The world has not remained silent on the latest transgression of the U.S. Government against Cuba. Everywhere there are reports rejecting the Helms-Burton law, which attempts to strengthen the economic blockade against the Cuban revolution.

The Nonaligned Movement [NAM], of which Cuba is a founding member, is leading what seems to have become an international campaign. Eumelio Caballero, Cuban ambassador to UN international organizations headquartered in Geneva, Switzerland, told Havana Radio that NAM is drafting a document demanding from the U.S. Government a cessation of hostilities against Cuba.

More than 100 Third World countries are affiliated with the NAM. Their actions were decisive during recent voting at the UN General Assembly, which has unanimously rejected the anti-Cuban blockade for four consecutive years.

Although Cuba does not underestimate the promulgation of the Helms-Burton law — recently sanctioned by U.S. President William Clinton — it is developing defensive actions against this new aggression.

Cuba appeared before the UN Commission on Human Rights, which met on Thursday in Geneva, Switzerland, to present accusations against the U.S. Government, stressing the genocidal nature of the law, which evidently tries to smother a whole country by prompting famine and disease.

The financial and trade blockade that the United States has imposed on Cuba for approximately 35 years hinders or makes it difficult to purchase food and medicine for Cubans. This is aimed at prompting total scarcity in the country to lead the Cuban population to desperation and political insurrection. Then, the U.S. Government would take advantage of this situation to launch a military intervention masked as humanitarian aid to eliminate the Cuban revolutionary government and reinstall in the country U.S. neo-colonial domination.

The general public is concerned over hostilities promoted by nine consecutive U.S. Administrations against this small Latin American country, worrying that these actions could be extended to other independent nations like Cuba, who are not willing to subordinate themselves to the economic and political interests of the United States, because this would mean sacrificing their rights to sovereignty and national dignity.

This is the right moment to oppose the U.S. imperialistic expansion with the solid participation of all people and progressive forces of the world.

Cuba: RSF Condemns Arrest of HAVANA PRESS Director

PA3103040596 Madrid EFE in Spanish 2111 GMT 29 Mar 96

[FBIS Translated Text] Madrid, 29 Mar (EFE) — The international organization of newsmen called Reporters Without Borders (RSF) today condemned the arrest in Cuba of Rafael Solano, director of HAVANA PRESS, an independent news agency, and the pressures and threats exerted against other independent journalists of the island.

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In a press communique sent by the organization headquartered in Paris to EFE, the RSF states that Solano, 44, has been under arrest since 27 February at the general headquarters of the Cuban State Security at Villa Marista and that "he will be tried as a common criminal for 'association with criminal intent.'"

According to the RSF, the Cuban newsman "could be sentenced to up to three years in prison although the police have not yet notified him of the date of his trial, and his lawyers have been unable to obtain bail for his release."

The arrest of Solano and the threats against other newsmen, the RSF states, "is a new blow against the work of the independent agencies in Cuba" and "a serious attack against freedom of the press, which is guaranteed under Article 19 of the international agreement on civilian and political rights."

The RSF also mentions the cases of other newsmen whom the Cuban authorities do not allow to return to the country or freely work in their profession.

According to the RSF, Rolando Indamiro Restano Diaz, director of the Independent Press Bureau of Cuba (BPIC), has been in Caracas since February, because the Cuban authorities have denied him the authorization to return to the island.

The RSF also mentions the cases of other newsmen such as Roxana Valdivia, the BPIC correspondent in Ciego de Avila, whom the "political police" have given the choice of exile or prison.

The RSF adds that Valdivia has been accepted as a refugee in the United States, but until all administrative work is concluded, she will remain "confined" in Cienfuegos Province without being able to travel to Havana or to contact the agency for which she works.

In the communique, the RSF voices its "deep concern" over the "pressures" exerted against the independent Cuban newsmen and notes that the state daily GRANMA published a report on 27 March in which Armed Forces Minister Raul Castro "accuses certain newsmen, without mentioning names, of having an inclination 'far removed from patriotic behavior.'"

According to the RSF, newsmen Olance Nogueras, Hector Peraza, Bernardo Fuentes, Luis Lopez Prendes, Joaquin Alvarez Torres, Omar Rodriguez (photographer), Maria de los Angeles, and Bernardo Fuentes remain "confined" in their respective provinces or have been "summoned" or detained.

Cuba: Carlos Lage Comments on 'Complex' Economic Recovery

PA2903224896 Havana Radio Rebelde Network in Spanish 1255 GMT 26 Mar 96

[Report by Lilia Sardina from the "Doing Radio" newscast]

[FBIS Translated Text] While presenting his report to the plenum of the Central Committee of the Communist Party of Cuba, Carlos Lage stressed the importance of modern challenges in today's world and their special impact on Third World countries.

Lage has said the recovery of the economy will be complex due to ongoing changes worldwide, especially in the science and technology sectors. He mentioned several specific examples; for instance, there have been extraordinary advances in the worldwide biotechnology sector. Developed countries invest an average of $300 per capita in research, whereas underdeveloped countries as a general rule invest only an average of $10 per capita. In addition, the computer sector has experienced extraordinary progress. Computer use is widespread in developed nations that have millions of computers available, but we are aware that this does not happen in underdeveloped countries.

Cuba is in a slightly better position than the rest of the world thanks to the coherent educational policy of the Revolution, but Lage has noted certain problems. Think about the importance of E- mail. It costs $12 to send a message by Telex, .75 cents by fax, and $.03 using the Internet; therefore the information process suffers when there is no financing and no access to advanced technology such as the Internet to provide the necessary information on science, technology, culture, sports, and other issues essential to the development of a country. Lage has said this is one of the obstacles on the path to recovery, which is, nevertheless, taking place in Cuba, as indicated by increasing growth rates.

Cuba: Radio Highlights Carlos Lage Address at PCC Plenum

PA2903222396 Havana Radio Rebelde Network in Spanish 0000 GMT 27 Mar 96

[From the "Exclusive" newscast]

[FBIS Translated Text] Politburo member Carlos Lage has affirmed that having started economic recovery in the wake of the disappearance of the Soviet Union and the stiffening of the economic blockade on our country constitutes an extraordinary feat of the history of our revolution and our people. While speaking during the fifth plenum of the Central Committee held over

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the weekend, Lage, who is also the vice president of the Council of State and secretary of the Executive Committee of the Council of Ministers, said that the fact that Cuba is carrying out a process of economic recovery constitutes an extraordinary victory and is the result of a correct strategy led by Commander in Chief Fidel Castro.

Lage added that the economic recovery process is difficult, long, and complex, something that must not discourage us but renew our strength constantly, on account of the battles that have been won to face new challenges. Lage noted that economic recovery is (?hampered) first of all because of the Washington blockade, which grows worse following the approval of the Helms-Burton law, and, second, because economic recovery rests on short-term and high-interest foreign financing, meaning that a substantial amount of foreign exchange resources have to be earmarked to pay those loans.

Later on the senior official noted that economic recovery also becomes complex because growth has to go up from 2.5 percent in 1995 to 5 percent this year, following five years in which the economy plummeted almost 35 percent. In addition, he stated that external factors, such as the changes taking place in the world, especially those related to the scientific and technological revolution are influencing the process of economic recovery of our country. This means, Lage stressed, that developed countries are investing an average of $300 per capita on scientific and technological research, whereas the nations of the so-called Third World only earmark less than $10 per capita to this endeavor.

He added that an extraordinary change is taking place in computers and computer technology. He said that regarding electronic mail, a telex message costs $12, a fax message costs 75 cents, whereas using the Internet it costs only 3 cents. He also noted that the developed world has millions of computers, whereas in the Third World countries this is not the case. This means that the latter are at the mercy of the former in the field of computers and computers science, things that are indispensable to achieve socioeconomic development.

In another part of his speech, the Politburo official said that the country's economic recovery is taking place under those not too favorable conditions, and for that reason he said the 1996 economic plan must be fulfilled with new efforts at home. With regard to the 1996 economic plan, he noted that its objective is a 5 percent growth in 1996. To ensure it, approximately $4 billion in products are required.

Lage noted that, taking into consideration external adversities, which were outlined earlier, and in particular what the new act of aggression by the United States against Cuba with the enactment of the Helms-Burton law means, we have to be capable of finding the greatest reserves and potentialities within our own efforts. As an example of this statement, Lage said the cuttings by the sugar combines need to be raised to have a harvest with the smallest number possible of this equipment, while utilizing their capacity to the maximum.

After noting higher levels of productivity and savings can be reached in other branches of the economy, Lage noted that there is no area of the economy where there are no reserves of efficiency. To achieve that, he added, it is necessary to have order, discipline, and control, which will make it possible to fulfill the 1996 economic plan, so that it fulfills its role based on the principles of our socialist system.

As for the need for discipline, Lage stressed this is fundamental and more indispensable than ever for all cadres under all conditions. He also commented on the measures the Executive Committee of the Council of Ministers implemented to strengthen the control mechanisms, and, he explained how government controls are being implemented on state organisms.

In his speech at the Central Committee plenum, the Politburo member noted that there is no other economic area more important than tourism for the future and development. On this matter, Lage stated that during the special period years in which the Cuban economy took a nose dive, tourism grew 20 percent although the conditions were adverse. He also mentioned that the climatic conditions, order, and safety that exists in Cuba, as well as the prestige of the Cuban revolution, offer extraordinary conditions to develop tourism in an orderly and organized manner, something that was reflected in the figures this sector reached during the special period.

Commenting on the matter of cost reductions in the field of tourism, the Politburo member said that the cost per dollar earned is greater in Cuban enterprises than it is in joint enterprises, which is why we need to be more efficient in order to guarantee higher foreign exchange earnings. On this matter, the official said that Cuba currently receives $171 dollar per tourist/day and that the hotels' percentage of occupation is 52.6 and noted that this figure has to be increased.

Lage added that the growth of tourism in Cuba leads to growth in other areas related to this field, such as aviation and communications, as well as in the areas that produce products for the tourism sector. Last year, he added, the national economy used materials worth $50 million to manufacture products worth $150, something that had favorable repercussions in other sectors of

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the national economy, such as the light industry and food sectors. The Politburo member noted that tourism establishes demands regarding the quality of products and services, which provides a lesson and a positive experience for the economy.

After stressing the need and importance of tourism for the local economy, Lage broached the subject of foreign investment. He said that it must be promoted, but noted that it does not constitute the essential factor of our economy. By way of example, he said that the economic sectors on which foreign investments have been made, employ 53,000 Cuban workers, or 5 percent of the labor force in the productive sphere. He added that in 1995 companies and joint ventures with foreign capital yielded approximately $114 million in net earnings, not including capital investments, which means 3 percent of the total that came into the country last year.

When discussing the current sugar harvest, he said that so far over 2.8 million tonnes of sugar have been produced and that 3 million tonnes will be obtained this week, with a delay of eight or nine days. He immediately announced that in early April, the same amount of sugar produced in last year's harvest will have been obtained. Lage affirmed that the current delay in the sugar harvest because of rains in the country's eastern area does not imperil the fulfillment of the sugar production plan that totals 4.5 million tonnes of sugar.

The senior official said the yield is good, as it is 11.67 percent, the highest in the past five years, and this means that despite the delay brought on by the rains there is sufficient sugarcane to fulfill the sugar production plan. Other (?plans) outlined by Lage regarding future sugar harvests are related to the planting of sugarcane, which is 64 percent complete, and while cultivation is 71 percent complete, and the cleanup is 88 percent complete. In addition, the marking of land to be used for sugar fields is 71 percent complete.

In another part of his speech, he said the labor force in sugar mills is showing a trend toward stabilization, because management was authorized [passage indistinct] the measures to be implemented. As for the Basic Production Units, cooperatives, he said that they hold over 42 percent of arable land and said they must be adequately controlled so that the land turned over to the members of these units in usufruct are employed for the intended purpose. Regarding these farming units, the Politburo members said that they must raise their yields not just to ensure raw materials for the sugar industry but also to help provide the people tubers, vegetables, and other products.

On this matter, Lage said that one first has to make sure that regulated distribution is no less than 15 pounds per capita a month of low-cost tubers and vegetables. He added that last year, prices of tubers and vegetables went down almost 30 percent in the farmers' market, something that went unnoticed because prices remain high. Getting deeper into this matter, he said the drop in the prices of farm products was not the result of increased production but rather of the decrease of money in the hands of the people.

The official said the biggest problem in the farmers' markets in the country are unscrupulous middlemen, who raise prices artificially, the lack of controls in these places, and delinquents who get into them. He added the necessary measures will be implemented to stamp out these problems that hinder the proper functioning of the farmers' market.

Lage also spoke about the need to continue reducing the amount of currency circulating. With regard to public finances, he reported that subsidies were reduced in 1995 and so was the budget deficit. He said the country was put at levels of 3.6 percent of the GNP. [sentence as heard]

Lage then discussed the issue of the national currency, which he said has been strengthened by this situation, and the reduction of the amount of currency in circulation and recalled the days when 150 pesos had to be used to buy one dollar. The exchange rate now is 22 pesos to $1 and the tendency at bringing the cost of the dollar further down is stable.

It is logical, Lage said, that the least amount of money available, the more difficult it will be to collect it. As a result of adopted measures such as the farmers' market and self-employment, money is more concentrated now than it was when the collection began, and for this reason measures such as free cigarette price marking, are not as effective and do not secure amounts of currency as significant as those secured at the beginning.

Lage discussed then the tax issue. He said that taxes should be increased in relation with the self-employed workers's income. Taxes must be progressive and in correspondence with the income of the self-employed workers. Taxes are an important social justice element and are also necessary to improve domestic finances.

With regard to the redesigning of the economy, Lage said that efficiency demands a reduction of the labor force but we can make this reduction as the economy recovers, investments increase, and tourism develops and other employment sources are created. We have to do this gradually, not at once, and much less in an uncontrolled fashion.

Regarding stimulus being given to workers, he said that last year several were approved and applied to more than

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700,000 workers. He said this year other stimulus have been approved and it could be said that approximately 1 million workers are linked to stimulus mechanisms that involve, the majority of them, foodstuffs and [words indistinct].

Lage said that 205,000 workers are self-employed. For approximately 64,000, this represents their only job option because they were unemployed; for more than 80,000, self-employment has represented an additional form of income because they are either retired persons or housewives; and the rest are employed people who also do business on their own.

Regarding the decision not to exclude professionals from the self-employment activities, Lage said that more than [figure indistinct] professionals registered as businessmen. Of these, 240 have labor ties. The others are professionals who are either retired or are housewives.

Regarding the Helms-Burton law, Carlos Lage said: As we see it now, the letter of that law cannot be implemented. That is, the law is so irrational that its letter is inapplicable, it is impossible to implement each and all of its parts. He then added: This should not lead us to underestimate the negative economic effects of the law. It has created for us a new situation that is more difficult and more complex than any other in the past. This law will harm the economy because despite the fact that its letter cannot be implemented, it can affect us on specific aspects or at given moments or in the effect it may have on specific enterprises and this would have a negative effect on our economy.

The law is harmful from the point of view of the fear it creates, and fear blocks investments. It had been doing it before. Foreign investments were decreasing before, when the bill-debate process was on. Fear of the law, of its consequences, block investments and can paralyze financing operations and the supply of products because of the concern it creates in enterprises and suppliers.

Lage said that without underestimating the effects of the Helms- Burton law, it is a fact that the country has the organization, the intelligence, the capabilities, and the will necessary to check it and to find solutions to the problems that may arise.

However, he said, we are still evaluating the possible effects of the law. Lage said that the objective of refining more crude oil and of buying less oil by-products is being reached. He said that there has been growth in the [word indistinct] citrus, sugar, cement, and fertilizers sectors and in some agricultural products.

Lage said that constructions dedicated to tourism are making the best headway in Varadero where the focus is on these constructions.

Close to the end of his speech, Lage said that during the first quarter, electricity production was above expectations. Lage concluded by saying that the greater the obstacles, the greater the victory of the revolution and of the people.

Cuba: Radio Views PCC Central Committee's Plenum Report

PA3003022796 Havana Radio Rebelde Network in Spanish 1800 GMT 28 Mar 96

[Commentary by Orlando Contreras; from the "National Radio News" newscast]

[FBIS Translated Text] The fact that we have already produced 3 million metric tons of sugar with efficiency, and the mills still grinding are maintaining a yield superior to 11, is not only great news, but also a clear indication of the economic recovery under way.

Last year's harvest was bad, and we produced 3 million metric tons of sugar by 21 April after a poor performance. The fall of the sugarcane production seriously affected the economic recovery in Cuba, which nevertheless ended 1995 with a 2.2 GNP increase.

During the fifth plenum of the Central Committee of the Communist Party of Cuba [PCC], Carlos Lage reported an estimated 7 percent economic growth during the first three months of 1996. This confirms that the development strategy implemented in the country, based on the hegemony of the state sector, is right. Also, because of the current international situation, it became essential to bring up some issues with a realistic approach, such as the opening to foreign investment, the decriminalization of the dollar, the transfer of land in usufruct to cooperatives and small individual farmers, the creation of the farmers' markets, and the authorization of self-employment in accordance with the law.

Intelligence in politics and life calls for openness. Due to new realities beyond Cuba's control, it became fundamental to find new creative answers, with the vast support of the people to validate the steps being implemented, which are based on the nation's principles and interests.

It is also important to prioritize the masses' needs and concerns when exploring the current and future interests of Cuba and its people. The report approved by the fifth plenum of the Central Committee of the PCC and read by Army General Raul Castro is precise in this regard.

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He stated that food is the number one daily concern of the people. Therefore, the decision of our party and government to place food production as the principal job is fair. Giving primary attention to the main problem is politics and sensible defense of the ideology.

Amid the current difficult circumstances, we must trust in our own resources, work with efficiency in the production and service sectors, not neglect the nation's defense, and cast off any issue too vague or dogmatic from the essential ideology of the party. These goals will lead to the success of the Cuban nation's project, which brings us hope today with the news of 3 million metric tons of sugar reached in the current harvest.

Cuba: CDR Meeting Analyzes PCC Plenum Report

PA3103165896 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 31 Mar 96

[From the "NTV" newscast]

[FBIS Translated Text] Ideology is not a function carried out as part of a plan or campaign. It is a day-to-day action, CDR [Committees for the Defense of the Revolution] National Coordinator Juan Contino has said.

[Begin recording] [Reporter Marta Moreno] During a national plenary meeting of this organization, held at the Nico Lopez Higher School of the Communist Party of Cuba, the debate focused on the statements contained in the political and ideological report submitted at the fifth plenum of the Central Committee. The participants agreed that rather than discussing and applauding the Politburo report, it must be implemented in the neighborhoods to analyze the origin of inequalities, stimulate human solidarity, contribute to the installation of values, and help find solutions for the unemployed.

Politburo member Jose Ramon Balaguer commented on the way the members of the community should be drawn together more, especially those who are self-employed, who emerged out of necessity.

[Balaguer] The self-employed worker must not stay away from the CDR's activities in his block. We must devote 80 percent of our time to working downward, forgetting, not blushing, as I said, that we are criticized, rebuked, oriented, and pushed at the top. That, in a nutshell, is the role of those at the top. Our role, our responsibility, is to project our activities downward.

[Moreno] The debate established that the CDR's work must be modified to keep in step with the current phase. What was begun here, in relation to the political and ideological work that must be conducted in communities, must be taken to the grassroots level.

Cuba: Commentary Views 1996 Economic Plan, Goals

PA3103165796 Havana Radio Havana Cuba in Spanish 0000 GMT 30 Mar 96

[Roberto Morejon commentary]

[FBIS Translated Text] The economic and social plan for 1996 was designed in Cuba, taking into account the constraints of the current situation and, therefore, it has experienced many bumps along the way. Cuban Vice President Carlos Lage recently spoke about this reality, saying that to fulfill the plan it is necessary to have nearly $4 billion. This amount has not been fully collected, given the country's foreign exchange limitations.

This explains, Lage stated, why many times inputs for guaranteeing production are not found in Cuba at the right time, in spite of the fact they were included in the planning. This lack of foreign exchange to ensure specific productions included in the economic plan for this year must be covered by Cuban authorities with new financing, which is frequently obtained at high interest rates and with the commitment to repay them in the short term.

This is a reality that adversely affects the development of the economic plan drafted in Cuba in 1996, after several years of foregoing economic planning. Indeed, following the economic crisis that erupted in Cuba in 1989 after the disappearance of the socialist bloc and the worsening of the U.S. blockade, authorities did not prepare annual economic plans, as was customary. With the advent of the 1990's, Cubans were first forced to fight for subsistence and postponed the drafting of the annual economic and social plans.

After several years of intense work and accumulated experience, it was possible to create the conditions to resume the drafting of annual plans. As authorities said, the 1996 plan contains differences and it is more complex than those adopted in 1989, the year in which the present economic crisis began.

With a view toward 1996 programming, it was necessary to plan without fully eliminating the uncertainty about everyday shortages and the lack of foreign exchange in the country. We are talking about a period characterized by the lack of guarantees of supplies at stable prices, the lack of a market for exports, and with an internal situation that combines different forms of ownership, and a monetary duality consisting of the circulation of pesos and foreign exchange, the lack of a stable financial market.

Although the 1996 economic plan is subject to the aforementioned uncertainties, it is, nevertheless, likely

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to work with a goal of achieving a 5-percent growth in the GDP by the end of the year. If accomplished, this would be the third consecutive year with similar results.

The recent announcement that at the end of the 1996 first quarter the economy grew by 7 percent, gives us confidence that we will meet the goals for the entire year.

Cuba: Government Confirms Adherence to PCT

PA3003234596 Havana PRENSA LATINA in Spanish 0243 GMT 30 Mar 96

[By Argel Calcines]

[FBIS Translated Text] Havana, 29 Mar (PL) — Cuba has confirmed its adherence to the World Patent Cooperation Treaty (PCT) as an important step to enter the international industrial property protection system more efficiently.

The Cuban Government's decision was revealed here today in the presence of President Fidel Castro and Dr. Arpad Bogsch, general director of the World Intellectual Property Organization (WIPO), a UN institution that has established the PCT to unify the protection of inventions at a worldwide level.

According to experts from the National Inventions, Technical Information and Trademarks Office (ONIITEM), the signing of this treaty will bring great benefits to the island, because it will expedite the registration of its inventions abroad and will allow it to save a great deal of money.

Adherence to the PCT, they say, will avoid the repetition of bureaucratic and financial efforts, as when they required to patent the Cuban vaccine against meningococcus meningitis (VA Mengoc BC) and the well-known anti-cholesterol Policosanol (PPG) in several countries. The latter product received a gold medal from the WIPO today. The medal was awarded by Bogsch to Cuban scientist Rosa Maria Mas Ferrero, who is the head of the investigating team that has produced this medicine from sugarcane wax.

In turn, Bogsch received from Fidel Castro the Order of Carlos J. Finlay, the highest distinction the Cuban state confers to scientists and personalities who have made great contributions to science.

The WIPO general director used the occasion to praise the work done by ONIITEM, which, after receiving financial and technical support from this world organization, processes 80 percent of the documentation on patents in the world, which is growing at a rate of 1 million documents per year.

Cuba entered OMPI [World Intellectual Property Organization] in 1975, and Dr. Concepcion Campa became the first Cuban in 1989 to receive a gold medal from this organization for her work in producing the antimeningococcus VA Mengoc BC vaccine, which is considered to be unique in its type in the world.

Cuba: Castro Comments on Sugar Production at Ceremony

PA3103034696 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 30 Mar 96

[Report by Gladys Rubio from the "NTV" newscast]

[FBIS Translated Text] Commander in Chief Fidel Castro today attended the ceremony to award the Order of Carlos J. Finlay to Dr. Arpad Bogsch, general director of the World Intellectual Property Organization [WIPO]. Cuba awards this decoration to individuals who have made a significant contribution to our science.

[Rubio] Before a large group of Cuban scientists and Commander in Chief Fidel Castro, Dr. Arpad Bogsch gave his thanks for the distinction and said this award strengthens the ties between the National Inventions, Technical Information, and Trademarks Office and the WIPO:

[Begin Bogsch recording] The distinction with which the Cuban Government has honored me is further demonstration of Cubans' traditional generosity toward their friends, but the most significant thing that makes me even happier is the fact that this order bears the name of Carlos Juan Finlay who will always rank among the greatest researchers in the history of mankind. [end recording]

[Rubio] Bogsch said the National Inventions, Technical Information, and Trademarks Office is on par with the most modern offices in the world. It has 90 percent of all the patents documents in the world. During the ceremony, the WIPO representative awarded Cuban researcher Rosa Maria Mas a WIPO gold medal for her contribution to world science. Bogsch also awarded diplomas to the multidisciplinary group that has helped Rosa Maria develop the [word indistinct].

After the award ceremony, the Commander in Chief talked to the press:

[Begin recording] [Castro] Of course, we have to work to protect what we are creating; that is why we have made so many investments in the Center for Scientific Research, and we know we have to protect the fruits of that effort, and it is also within the norms of international law. I was not so interested, however, in matters concerning intellectual property. I have some

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ideas regarding that issue. I believe there should be special facilities for the Third World. There should be no inequality, which sometimes becomes a monopolistic weapon; that is why we should not render so much tribute to intellectual or industrial property. Rosa Elena said intellectual. He said industrial, period.

We must recognize the merit and spirit of cooperation. It is not merely a matter of protecting what the country can create but, rather, receiving information from the world. We have a considerable amount of documents. We have one of the best documentation centers on intellectual property; this point is very helpful for research, because everything is recorded. We know where progress has been made and where no progress has been made. This is very helpful to scientists. We appreciate cooperation through scientific documents that our researchers can use.

I also want to express our appreciation to Cuban researchers who have been working during these difficult years, to Rosa Mas and the group of comrades who have developed the atheromichol known scientifically as PPG, which has a growing demand everywhere. I understand that the demand was high even in the United States, that people who came here bought PPG at very low prices. It is sold without any restrictions or almost without restrictions on the streets at any price in pesos. What has changed now is the presentation, because some people used to buy PPG to resell it, to speculate with the prices, and to sell it to tourists and visitors. It has a growing demand. The commercialization of all these pharmaceutical products is very difficult due to protectionism and not because of customs duties. The problem is not caused by customs tariffs but, rather, by certain demands that practically make the commercialization of many products impossible.

[Rubio] And now the Helms-Burton law will be another obstacle to be surmounted.

[Castro] It is one more mountain, another mountain range.

[Rubio] Do you think we will accomplish our sugar production goals?

[Castro] I am not a soothsayer; therefore I cannot answer that question categorically. As for the people's willingness to meet those goals, I can say that we would certainly fulfill our goals if it solely depended on that. We can say that our people are working with renewed enthusiasm. They have made an extraordinary effort. We have faced an adverse climate. We still have some old problems with the machinery and spare parts, but the situation has improved. The climate in certain areas has caused some damage, an example of which was the heavy rains in Las Tunas.

The Argelia Libre Sugar Mill has been totally paralyzed during the sugarcane harvest. The sugarcane has been distributed, and all the machines will be concentrated in one place now. The Peru Sugar Mill will complete its work on 31 March. All the machines will be concentrated in four complexes. Four complexes will grind the sugarcane for three sugar mills; that is, Argelia, Guiteras, and Jesus Menendez. The Jibacoa Sugar Mill also will be grinding sugarcane. All the machines and resources will be concentrated in one place.

I am very optimistic, because May is historically a dry month. We need a dry May in Las Tunas. We also need an extended drought in northern Camaguey and Ciego de Avila. The sugar mills in the south are running ahead of schedule, and the sugar harvest will be over soon in certain provinces, with the goals met and surpassed. Sancti Spiritus is doing an excellent job. The reaction in Holguin after the heavy rains has been extraordinary. In general, I believe there are very good possibilities of meeting our goals, unless we are hit by heavy rains in April or May. We will have as much sugar as last year by 4 April; thereafter, all the sugar produced will surpass last year's production. [end recording]

Cuba: Report Addresses Current Harvest Sugar Production

PA3103022996 Havana Radio Rebelde Network in Spanish 1800 GMT 28 Mar 96

[Report by Diosdado Maso from the "National Radio News" newscast]

[FBIS Translated Text] The report stating that sugar production has already reached 3 million metric tons during the current harvest gives a great incentive to those workers who are dedicating their lives to our main industry and showing that they have succeeded. The main issue is, however, that these 3 million metric tons of sugar were produced using 65 million less arrobas of sugarcane and in a shorter time, as expected from an industry of the caliber of the Cuban sugarcane industry.

The 3 million metric tons of sugar produced attest that social and technological discipline and persistence are the keys to the recovery of our economy.

We have produced 3 million metric tons of sugar saving sugarcane, lowering the amount of sugarcane burned, fighting sloppy work, getting rid of the loss of sugarcane along roads and in gutters, and grinding the cane as fresh as possible, in brief, doing what needs to be done timely and fittingly.

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The success is also proof of our great reserves. This year's results in Sancti Spiritus' Ceneta Mill, Santiago de Cuba's Julio Antonio Mella Mill, Las Tunas' Amancio Rodriguez Mill, and Ciego de Avila's Venezuela Mill are evidence of the truth of what we just stated.

These results are possible when people work earnestly and with dedication and receive the support of their union and incentives from the sugarcane industry.

Cuba: Resolution Establishes Personal Income Tax

PA3003181896 Havana Radio Rebelde Network in Spanish 1800 GMT 29 Mar 95

[From the "National Radio News"]

[FBIS Translated Text] Resolution No. 21 of 1996, which establishes procedures to levy taxes on personal income, becomes effective on 1 April. The resolution establishes payment of taxes on salary or retirement revenue at the time of filing. The resolution applies to Cuban citizens who are self-employed, or carry out intellectual, artistic, manual, or physical activities in general, or perform industrial, farming tasks, as well as cargo and passenger services, and other commercial activities. Resolution 21 also includes the possibility of levying taxes on individuals who attain revenue by renting rooms or housing units, but this will not take effect until the current housing law is modified.

The tax amount is 10 percent of ones net income, which is defined as revenue attained in Cuban pesos, minus the necessary direct expenses to conduct the activity or profession. The payment of the tax can be made by payroll deduction, monthly allotments, or periodic payments. The personal income tax in national currency will also be paid by foreign nationals who remain in Cuban territory for over 180 days and attain revenue in pesos for performing the aforementioned commercial activities.

Cuba: Advertisement Tax To Be Imposed Beginning 1 Apr

PA3003174896 Havana Radio Rebelde Network in Spanish 1800 GMT 29 Mar 95

[From the "National Radio News"]

[FBIS Translated Text] A tariff for signs and advertisements will be imposed beginning 1 April in fulfillment of Resolution No. 10 of 1996 of the Finance and Prices Ministry. The fee will be paid by individuals as well as businesses who display plaques, signs, boards, or other material designed to advertise products or services. Marquees, awnings, umbrellas, display windows, stands, counter tops, flags, and pennants are also considered signs, as are permanent or temporary .ents and lighted displays. The tariff will be determined by the size of the sign and will be paid quarterly. There is a 5-percent discount if the tariff is paid six months in advance, and a 15-percent discount if paid a year in advance.

This tariff is separate from the self-employment license fee.

Cuba: Roundup of Politburo Activities Through 28 Mar

PA2903141496

[FBIS Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 28 March.

Division General Senen Casas Regueiro, minister of transportation and Politburo member, has announced in Cienfuegos the implementation of a new train administration system. Minister Casas stated that the experience Cuba has with regard to taxis and national and urban buses will be applied to the train system. The Politburo member affirmed this measure is being taken to improve and modernize the efficiency of the railroad system. (Havana Radio Rebelde Network in Spanish 1800 GMT 22 Mar 96)

Radio Rebelde workers have reportedly discussed the draft project of the 17th Congress of the Cuban Workers Federation (CTC). In addition to union leaders, this meeting was attended by officials from the Central Committee and Pedro Ross Leal, Politburo member and CTC leader. Ross Leal summarized the meeting and congratulated workers on the discussion. (Havana Radio Rebelde Network in Spanish 1800 GMT 22 Mar 96)

Commander in Chief Fidel Castro on 21 March met with personalities who attended the Second Ibero-American Meeting for Tourism Development. For three hours, Fidel exchanged views at the Palace of the Revolution with persons from 17 countries participating at this meeting. Participants confirmed to the press that the meeting with the Cuban president was a nice gesture to them. (Havana Radio Rebelde Network in Spanish 1800 GMT 22 Mar 96)

The first agreement reached at the third meeting of the National Directorate of the Cuban Revolution's Fighters was a declaration rejecting the Helms-Burton law. The basic goal of this meeting, which was chaired by Commander of the Revolution Juan Almeida Bosque, was to evaluate the work carried out in 1995. Although it was generally described as satisfactory, the analysis focused on what remains to be done to achieve better

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results. (Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 23 Mar 96)

A group of Cuban specialists left for Nigeria to help control a meningitis epidemic in this African country. The Cuban experts are led by Gustavo Sierra, vice president of the Carlos J. Finlay Institute, who said the Cuban aid was requested through the International Red Cross and World Health Organization. The specialists will determine the causes of this epidemic; they have an important commitment, given the critical nature of the situation. Concepcion Campa Huergo, member of the Politburo and president of the Carlos J. Finlay Institute, bid farewell to the group at Jose Marti International Airport in this capital. (Havana Radio Rebelde Network in Spanish 1255 GMT 23 Mar 96)

The Cuban newspaper GRANMA published in Saturday's edition two letters exchanged between three members of the U.S. organization Pastors for Peace who are on hunger strike and Cuban Foreign Minister Roberto Robaina. The members on strike, led by the Reverend Lucius Walker, stated in their letter their firm pledge, fast commitment, and determination to see the end of the U.S. blockade against Cuba. The Cuban foreign minister's letter to the five Pastors for Peace states that each of the efforts exerted by them is a breakfast of love for their fellow human beings, and is more characteristic of saints than preachers. (Havana Radio Havana Cuba in Spanish 0000 GMT 24 Mar 96)

Matanzas residents are still striving to fulfill a crucial sugarcane harvest that currently involves the efforts of its 19 sugar mills. Yadira Garcia, member of the Politburo and first party secretary in this province, described the current harvest strategy as urgent. She said they are working in a complicated situation and, even though grinding activities are not what was expected, there is an opportunity for recovery and the fulfillment of goals. Garcia added that you can always count on Matanzas to fulfill its plans. (Havana Radio Rebelde Network in Spanish 1255 GMT 25 Mar 96)

Coordinators of scientific polls in the western part of Havana held a meeting today at the Convention Palace. The points of discussion at this meeting were medical and agricultural biotechnology as well as problems of the scientific reserve. This meeting was attended by Politburo member Rosa Elena Simeon, minister of science, technology, and environment. (Havana Cubavision Network in Spanish 0100 GMT 29 Mar 96)

Cuba: Roundup of Sugarcane Developments Through 31 Mar

PA0104024496

[FBIS Report] The following is a compilation of reports on sugarcane and sugar industry developments in Cuba monitored through 31 March.

The month of March, historically the best in the sugarcane harvest, is in its final stretch, and the harvest, after the heavy rains, shows signs of a definite recovery. Although excessive rain has stopped the sugarcane cutting and dangerously delayed the end of the harvest, the opposite happens when the dry season is in full swing. The stems become excessively dry and yield little sugar. Consequently, in April it is necessary to cut the dried-up cane first. (Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 25 Mar 96)

In Villaclara Province, sugarcane processing reached an average of 85 percent of expectations. The sugar production established a record figure during this harvest with more than 7,000 daily tonnes. There is no doubt that the province is in a position to fulfill its sugar production goal in April. In Matanzas, the rain became heavy during the month of March and resulted in a drop in the industrial yield in some sugar mills. At this stage in the harvest, Matanzas is still experiencing sugarcane shortages in many mills, some of which have been forced to stop operations. Matanzas has 19 mills, only eight of which are operating. (Havana Radio Rebelde Network in Spanish 1255 GMT 26 Mar 96)

The Young Labor Army (EJT) has delivered approximately 30 million arrobas of sugarcane during the present harvest in Ciego de Avila Province. Colonel Ciro Luis Camacho, EJT leader in the province, said one of the biggest difficulties encountered during the harvest consists of the shortage of harvesting machines. (Havana Radio Rebelde Network in Spanish 1255 GMT 30 Mar 96)

Haiti

Haiti: Executive To Sign Letter of Intent To Release Aid

PA3003003896 Port-au-Prince Signal FM Radio in Creole 1230 GMT 28 Mar 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] According to Finance Minister Fred Joseph, the Haitian executive on 15 May will sign a letter of intent with international sponsors to activate the release of $100 million worth of international aid. The letter of intent will be used to inform international organizations of the Haitian executive's determination

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to make changes in Haiti's economic and administrative structure, according to Joseph.

Various Haitian records on privatization and the structural adjustment program will be presented to the financial institutions before 30 June, Joseph has said:

[Begin Joseph recording, in French, in progress] ...the president who has set 15 April as the starting date of the negotiations to sign an agreement, a letter of intent on 15 May, in one month. We need to present Haiti's progress to the boards of directors of those banks by 30 June. We must do so by then—I would say immediately, if possible, because we are now talking about budget support—so we may receive about $50 million that could help us reduce the deficit we are experiencing now.

As for the payment [words indistinct] even if the projects are not directly linked to the signing of the agreement with the IMF. Sponsors feel more at ease when they know that the macroeconomic framework was taken into account and that the financing they are going to give for a development project will be used to make the economy move forward. [end recording]

This was a statement by Finance Minister Fred Joseph who has said the Haitian executive on 15 May will sign a letter of intent with international sponsors to activate the release of international aid. U.S. President Bill Clinton will ask the U.S. Congress for an increase in this aid.

Haiti: Radio on Scheduled Arrival of U.S. Congressmen

PA3003032596 Port-au-Prince Signal FM Radio in French 1130 GMT 29 Mar 96

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] According to the deputy director of the U.S. Agency for International Development in Haiti, Sara Clark, a delegation of U.S. congressmen will arrive in Port-au-Prince on 30 March to assess the political situation. The members of this team will also have to investigate the possible involvement of Haitian officials in the political crimes recorded between 1994 and now. The results of the investigation will be briefed to the U.S. Congress, including the Republicans who have demanded explanations of this matter before releasing $4.6 million in aid for Haiti. [passage omitted]

Haiti: Radio Says 1995-1996 Budget 'Dragging Along'

PA3003035096 Port-au-Prince Radio Nationale in Creole 1400 GMT 29 Mar 96

[From the "Nine O'Clock Newscast"]

[FBIS Translated Text] Three months after being broached at the Chamber of Deputies, the budget of the Republic for fiscal year 1995-1996 is dragging along at Parliament.

The president of the Budget Commission in the lower chamber, Deputy Momprevil Saint-Juste, has rejected the accusation that the budget of the Republic is dragging along. He cannot state a date for the vote on the budget at the assembly and says the members of this institution are examining the budget in accordance with the Constitution.

Deputy Saint-Juste has said they must first vote on the laws of the Ministries of the Environment, Women's Affairs, Haitians Living Abroad, the Fiscal Law, and the expense budget. Furthermore, the deputy has said the steps have been quite profitable to his commission, which has met with ministries officials to shed light on their justifications of the budget.

Deputy Alix Fils-Aime, a member of the Budget Commission, has deplored the behavior of the Werleigh government for having submitted the budget to Parliament with a delay of three months. Furthermore, he has said the beginning of Prime Minister Rosny Smarth's tenure has brought changes to the budget that must reflect the economic priorities of this government's general policy, adding that the budget includes only interventions regarding investments.

In conclusion, Deputy Momprevil Saint-Juste believes it is necessary to give a budget allotment to the ministries that have been closed, because they have already used a significant portion of the budget.

During his trip to Washington, President Preval painted a bleak picture of the country's economy, which has a deficit of $167 million. Foreign countries are financing the draft budget for 1995-1996, which amounts to 11.4 billion gourdes.

Haiti: Foundation To Hold Public Debates on Army, Police

PA3003003696 Port-au-Prince Signal FM Radio in Creole 1230 GMT 28 Mar 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] The Aristide Foundation for Democracy is organizing events to commemorate the anniversary of the Constitution of the Republic.

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The Haitian people voted on the 1987 Constitution nine years ago. To celebrate this ninth anniversary and International Youth Day, the coordinating boards of several organizations in Croix-des-Bouquets, Croix-des-Missions, Tabarre, Leogane, and Cite Soleil have joined with several other organizations in the nine geographic departments of Haiti to organize [words indistinct] public debates under the auspices of the Aristide Foundation for Democracy on the Army, the police, and privatization.

From 0300 to 0600 on 29 March, the public debates will focus on the Army, the police, and privatization. These conferences sponsored by the Aristide Foundation for Democracy within the framework of the Constitution of the Republic will continue on 30 and 31 March.

Haiti: Police Declare Curfew in Northern City

PA3003031096 Port-au-Prince Radio Metropole in French 1500 GMT 29 Mar 96

[Report by Joseph Claude Larousse; from the "10 O'Clock Flash" newscast]

[FBIS Translated Text] A curfew has been declared in Ouanaminthe, northern Haiti, after some people of this city set fire to the police station of this locality. Our correspondent reports.

[Larousse, in Creole] The police in Ouanaminthe have ordered a curfew to calm the tension of the populace. They have arrested several people who on the night of 27 March were protesting the actions of a policeman who roughed up a citizen named Menelus Samuel. Police were going to his home to arrest him in the wake of a dispute with his wife. Samuel has filed legal proceedings against the policeman for abuse of authority.

During the trial, a group of people who did not agree with progression of the trial invaded the court and caused much damage, breaking and destroying [words indistinct]. The police were compelled to use tear gas to disperse the outbursts in the court. After leaving the court, the demonstrators took to the streets and torched an Ouanaminthe police station located at the entrance of the city.

Late the night of 27 March, a delegation of officials coming from Fort-Liberte went to talk to the people in order to prevent further damage, but the situation remains tense up to today.

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Mexico: PRI Reacts To U.S. Approval of Immigration Law

PA3003022696 Mexico City LA JORNADA in Spanish 27 Mar 96 p 20

[FBIS Translated Text] The Institutional Revolutionary Party [PRI] has reacted to the approval by the U.S. House of Representatives of the Immigration Law in the National Interest by saying: It appears that the United States is trying "to break all records of intolerance" regarding migration matters and that the U.S. all encompassing line is a new attempt at manipulating the public opinion into giving in to the particular interests of a powerful few.

The PRI has characterized the law as the "most radical immigration policy approved in that country in recent years." A communique issued by this Mexican political organization states: "The PRI is very concerned" about the fact that there are increasingly serious violations of the human rights of immigrants in the United States despite efforts made to conciliate interests with that country.

In Washington, the trend "clearly favors the implementation of unilateral measures that generally harm the interests of others," as is evidenced by the intent to increase the number of deportations from 50,000 last year to 60,000 this year.

"This harsh way of viewing a neighbor and a border is harming Mexican-U.S. relations and is particularly damaging to the people who live on both sides of the border. It appears as if the United States were trying to surpass records of intolerance, something which is being achieved at an undesirable cost.

"The PRI hopes that this attitude is only a logical product of overheated electoral activities in that country, that the maturity of the U.S. people will prevail sooner or later, and that this type of electoral attitude that does not benefit that country's image is rejected.

"While we wait for this to happen, it is necessary to say that solid facts, regrettably, are demonstrating that the all encompassing speech about opening and the disappearance of borders they want to impose on the world from there could be nothing but a new attempt at manipulating public opinion to force the people to give in to the particular interests of a powerful few.

"In many cases, the new 'liberalizing' world trend the United States is promoting has produced a brutal additional concentration of wealth and has done little to demonstrate the much recited benefits of the 'opening.'

"In Mexico's case, tuna, avocados, transportation, steel, and other (products) are evidence of this, but more serious yet is the fact that the opening has not benefited any other human activity."

Mexico: Bulletin on Antidrug Training Exchange With U.S.

PA3003160796 Mexico City XEW Television Network in Spanish 0400 GMT 30 Mar 96

[From the "24 Hours" newscast]

[FBIS Translated Text] In response to a Washington report on training Mexican Army members to fighting drug trafficking, the Mexican foreign secretariat has released this bulletin:

As a result of high-level meetings between the Mexican and U.S. Governments, important agreements were reached recently to strengthen bilateral cooperation in the war on drugs while strictly respecting the national sovereignty and territorial jurisdiction of each country.

As the public well knows, we have been informed on several occasions about the academic exchange program for officers that has been taking place for decades. It is through new cooperation mechanisms that exchange programs will now be substantially reinforced.

In the framework of the exchange for counternarcotics training methods, 15 Mexican Armed Forces officer instructors on 1 April will initiate a 12-week training program in U.S. facilities. The program is focused on the use of modern techniques in areas of special interest in the drug war. This helps strengthen the Mexican Armed Forces' function as support for the Attorney General's Office. In addition, as a follow up to the recently signed agreements, a small number of Foreign Relations and Defense Secretariats officials will visit several U.S. installations specializing in the training foreign forces to fight drug traffic. This type of exchange also takes place with other countries and is part of the Mexican Armed Forces' permanent programs because the Armed Forces have experts in various areas.

It is worth mentioning that these agreements do not imply military exercises or joint operations between the Armed Forces of the two countries.

Mexico: Foreign Minister Talks With Uruguayan Counterpart

PA3103230796 Mexico City NOTIMEX in Spanish 0159 GMT 29 Mar 96

[FBIS Translated Text] Mexico City, 29 Mar (NOTIMEX) — The Uruguayan and Mexican foreign ministers agreed here today to promote a commercial agreement between Mexico and the Common Market of the

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South (Mercosur). They also rejected the Helms-Burton law that was recently approved by the U.S. Congress.

According to a Mexican Foreign Secretariat communique, both countries highlighted the importance of establishing a new commercial agreement between Mexico and the South American countries of Uruguay, Argentina, Brazil, and Paraguay.

The communique asserted that Uruguayan Foreign Minister Alvaro Ramos and his Mexican colleague, Jose Angel Gurria, agreed on the need to promote an agreement to liberalize commercial exchanges between Mexico and Mercosur.

The Mexican Foreign Secretariat asserted that this agreement would bring reciprocal benefits. The Mercosur countries have had a free trade zone since last year and a market of 200 million people.

Both officials reiterated their governments' commitment to back the negotiations for the formation of a continental free trade zone to be concluded in the year 2005, as was agreed at the past Summit of the Americas.

The communique also stressed that both officials had rejected the Helms-Burton law, because they believe it goes against international commercial and legal practices.

The foreign minister asserted that it is unacceptable to impose internal norms on a country beyond one's borders, which is just what this attempts to do, to bolster the economic embargo that was imposed by the United States on Cuba more than 30 years ago.

The communique was issued on the last day of Uruguayan Minister Alvaro Ramos' visit to Mexico City. During his visit, a bilateral cooperation agreement to stop and combat drug trafficking was also signed.

Ramos and Gurria agreed that fighting drug trafficking must be thorough and based on international coresponsibility. They, thus, favored holding an international drug conference in 1998.

The foreign ministers also announced Uruguayan President Julio Maria Sanguinetti's official visit to Mexico next September.

During the Uruguayan diplomat's visit, both countries also signed commercial, technical, scientific, cultural, and education cooperation agreements.

The officials added that new agreements will be negotiated on penal, legal, and extradition issues, and legal verdicts will be implemented.

Mexico: Foreign Secretary on International Cooperation

PA3103014896 Mexico City NOTIMEX in Spanish 2108 GMT 29 Mar 96

[FBIS Translated Text] Mexico City, 29 Mar (NOTIMEX) — The world's countries will only be able to face the great challenges of the end of the century successfully through international cooperation, Foreign Secretary Jose Angel Gurria said today.

International cooperation constitutes one of the most effective instruments for countries to face common problems, he said during the inauguration of the Consultative Meeting of the UN Development Program (UNDP).

He said it is necessary that the topics of the global agenda be dealt with as a whole within the new world framework as a fundamental step in ensuring sustainable development.

Gurria said countries through international cooperation can take advantage of the experiences as well as the solutions each country has devised to confront common problems such as the preservation of the environment, the fight against drug trafficking, immigration, and abject poverty.

He believes, however, that this task does not imply that the governments should relinquish their fundamental responsibility of doing everything they can to improve living conditions in their countries.

International cooperation is fundamental, because it enables the governments to complement their efforts, at the national level, to ensure superior levels of welfare, Gurria added.

Concerning the proposals made by certain U.S. officials that economic support for Mexico should be conditioned on the fight against drug trafficking, he expressed regret about the tone of these remarks.

"We already know the opinions of certain U.S. congressmen on practically everything that has to do with Mexico; consequently, we have reached the point in which nothing amazes us any more."

Cooperation with the United States in almost every aspect of the broad, bilateral agenda is going through a significant moment in the most sensitive areas, namely immigration, drug trafficking, trade, and the flows of goods and services, Gurria said.

"We have said repeatedly that we had to be prepared to hear deplorable remarks and in some cases even fallacies about Mexico, because the United States is going through its electoral process," he added.

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Gurria believes these expressions represent neither the view of a majority of U.S. citizens nor that of Congress, much less that of the U.S. Government.

Mexico: Secretary Says NAFTA Helped Increase Exports

PA3103182796 Mexico City NOTIMEX in Spanish 2055 GMT 30 Mar 96

[FBIS Translated Text] Hermosillo (Mexico), 30 Mar (NOTIMEX) — A 50-percent increase in Mexican exports can be attributed to NAFTA, Herminio Blanco Mendoza, secretary of commerce and industrial development, said today.

He stated that although U.S. sales to Mexico dropped last year, "this phenomenon was largely attributed to exports from regions such as Asia or Europe."

He said that the above means that the majority of U.S. businessmen know that NAFTA has helped protect their exports to Mexico, even in 1995, and it is also a useful instrument for the United States and Canada.

Interviewed after visiting an Alpro Group meat packing plant, Blanco Mendoza commented that the consultation process, so that the northern State of Sonora be definitely declared free from health problems, is progressing.

He remarked that the U.S. Department of Agriculture and its counterpart in Mexico have concluded that there are no obstacles to implementing this procedure, adding that information regarding this topic will be disclosed next week.

Blanco Mendoza this morning visited the plant that processes 40,000 tons of pork per year, resulting from the slaughter of approximately 500,000 animals annually.

Mexico: Zedillo on Economic Policy, Recovery, Growth

PA3003010396 Mexico City XEW Television Network in Spanish 0400 GMT 29 Mar 96

[From the "24 Hours" newscast]

[FBIS Translated Text] President Ernesto Zedillo today said the economic policy is a government matter, which is drafted in keeping with the objectives that the public lists as priorities.

During swearing-in ceremony of the new National Association of Economists [CNE] board of directors, Zedillo said that nothing will stop the process of economic and political recovery.

[Begin Zedillo recording] I am sure that Mexico will begin its recovery this year. Subsequently, it will immediately enter a period of stable growth until reaching our goal of at least a five percent annual growth. [end recording]

Zedillo added that when the main balances of the economy are affected, there is a plot against the possibilities of improving people's well-being.

[Begin Zedillo recording] We will always be open to suggestions at the moment of drafting and implementing economic policies. However, the objectives should not be mistaken with the mechanisms. Usually, the objectives of the economic policy are criticized without suggestions on how to achieve them. [end recording]

Zedillo acknowledged that economic measures are not enough to ensure stability and confidence.

[Begin Zedillo recording] For that reason, we will achieve the state's reform only based on dialogue and consensus. [end recording]

The new CNE President Elena Sandoval Espinosa, who replaces Enrique Del Val Blanco, said the association has been and remains a forum for debate and constructive criticism.

Mexico: Bankers, Brokers Comment on Economic Policies

PA3003015596 Mexico City EL FINANCIERO in Spanish 27 Mar 96 p 4

[Report by Isabel Mayoral, Alicia Salgado, and Alejandra Leglisse]

[FBIS Translated Text] Jose Madariaga Lomelin, president of the Mexican Association of Bankers; Roberto Hernandez, president of Banamex [National Bank of Mexico]; and Ricardo Guajardo Touche, director general for Bancomer [Bank of Commerce] have stated that President Ernesto Zedillo's leadership is not in doubt. More so, because the decisions made by his administration to strengthen economic changes are accompanied by political changes aimed at a system of institutions, laws, and full democracy, they added.

Foreign brokers, on the other hand, stated that "more than declarations that question the Mexican political leadership, they are attentive to the economy's overall development," to increase their Mexican market share within an atmosphere that they perceive to be more favorable.

Lehman Brothers stated that questions raised by THE WALL STREET JOURNAL on Zedillo's figure "were not taken into account," and added that this sort of editorial "is nothing new or relevant" to take seriously." [quotation marks as published]

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Asked about President Zedillo's leadership and the economic and political changes, Jose Madariaga told EL FINANCIERO that "in Mexico we are breaking new ground and this is not easy to get used to, either in or out of the country."

He added that within the banking sector there is no doubt whatsoever as to the president's leadership or the leadership of the country's financial authorities. "We do not believe that economic models change with new administrations; what change are the ways the economic models are handled, earmarking resources or generating them to seek certain goals. We do not see in Mexico's future a country with a free market economy or a totally authoritarian political regime," he said.

Madariaga said regarding questions as to the presidential leadership, on the one hand, "we ask the head of the executive branch to stop exercising omnipresent presidential power, and on the other hand, in and out of Mexico we wish that he were authoritarian. Zedillo has been congruous with his position."

Roberto Hernandez, in turn, said that the Zedillo administration's economic leadership has allowed to ride out in the shortest time possible "the toughest part of the financial and economic crisis, with an economic program other parties and members of the Mexican society, until now, have not been able to match with a definite proposal."

Ricardo Guajardo said: "We are very sensitive to the difficult economic moment that we have experienced and continue experiencing in the face of a strong contraction of the productive activity, increased unemployment, and reduced income. As the situation improves and the country becomes one of institutions, laws, democracy, which is a process in which much headway has been made and occasionally has resulted in very daring changes, these types of questioning will be reduced. There is no doubt within the financial sector that there is leadership in Mexico and that the president is the leader to consolidate these changes."

Yesterday, national and foreign analysts felt optimistic over the speech by Finance Secretary Guillermo Ortiz, as once again he ratified the Mexican Government's commitment to maintain the inflation and encourage growth beginning the second quarter in 1996.

This is added to the Federal Reserve's decision to maintain unchanged short-term U.S. interest rates, which when added to expected drops in domestic interest rates, are favorable factors in the Mexican financial market, which marked its sixth increase.

These national and foreign analysts said that despite last week's basic products increase, the government has proven its capacity to prevent an inflationary spillover, controlling with no difficulty certain financial market events.

The point analysts perceive as difficult and which could cause certain negative movements in the financial markets is the behavior of prices during April in view that they expect inflation to settle at 3 percent, even though they believe that the markets have ruled out this negative movement.

They expect that beginning in May, both inflation as well as interest rates will again tend to drop, permitting a resumption of economic growth from the second quarter on, which although will not be spectacular for the entire year, it will at least allow sustained growth during 1997.

Conversely, Bears Stern Brokerage House said in its weekly report that the perspectives for the Mexican economy's development must be modified because its monetary policy will allow a decrease in the inflation level and the peso's depreciation.

The current monetary policy seems more sensible to the demand for pesos than the one registered in 1995, when the decision to grant a domestic loan for supplies was adopted without bearing in mind its levels, Bears Sterns indicates.

The brokerage house believes the authorities continue to use the rates to support the peso's value; adding that the general outlook of the economy does not look too attractive despite an increase in revenues. The brokerage house believes the exchange rate will rise to 8.10 pesos for one dollar in 1996 and 10.20 pesos for one dollar in 1997, while inflation in April will be approximately 12 percent, totaling 42 percent at the end of this year, and 25 percent next year.

Mexico: President Zedillo Endorses Direct Elections

PA3103180096 Mexico City XEW Television Network in Spanish 0400 GMT 30 Mar 96

[Report by Rita Ganem; from the "24 Hours" newscast]

[FBIS Translated Excerpt] President Ernesto Zedillo said Friday that the purpose of promoting a much more democratic life in Mexico City will not take one step backwards. This process includes the idea of having its leader chosen through direct elections. In a meeting with the visiting members of the Federal District Representatives Assembly, the president said Mexico City residents are entitled to have a democratic and a legislative corps with full powers. He added: I have always said that we will not take one step back in our endeavor to promote a more democratic life. I encourage representative democracy, something that the

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Federal District also needs. We cannot take one step back in our idea of choosing the Federal District leader through a universal and direct vote. I remain open-minded to any other consideration or proposal that may emerge from these analyses, debates, and dialogues, he said. [passage omitted]

Mexico: ABM Rejects Possibility of Technical Bankruptcy

PA3003033696 Mexico City EL FINANCIERO in Spanish 28 Mar 96 p 5

[Report by Lourdes Gonzalez and Leticia Rodriguez]

[FBIS Translated Text] The Mexican Association of Bankers (ABM) has rejected any possibility of a technical bankruptcy of the banking system. However, it acknowledged that the problem of overdue portfolios is increasing and cannot be solved this year.

ABM President Jose Madariaga Lomelin warned that a new "general" program similar to the Agreement for Immediate Support to Bank Debtors (ADE) to renegotiate overdue loans will not be designed.

Madariaga Lomelin trusts that a stage will ensue in which the overdue portfolio problem will become stable and begin to descend due to the recovery of loans and an increase in the granting of credits.

Meanwhile, the private sector has demanded that the commercial banks become a driving force for the country's economic recovery and sustained growth.

Carlos Abascal Carranza, president of the Employers Confederation of the Mexican Republic (Coparmex) said the financial system has to make many decisions regarding capitalization, technological modernization, restructuring of human resources, strategic alliances, and the improvement of portfolios.

Banking has not been a good business for anyone, although everything is possible: "there are those who were able to make business, and those who were not," because the vices and deficiencies of the system, added to the profound effects of the crisis, did not allow for room to maneuver under such dramatically changing circumstances.

It would be unfair to evaluate the banking system merely in the light of the last three years, because the financial sector has operated in a very turbulent and chaotic environment.

Abascal Carranza said that the private financial system inherited a government financial system that was carrying very significant problems, such as a lag in technological development, decline in service, and deficiency in the training of real bankers.

In this context, Abascal Carranza reiterated that the national financial system faces a challenge to restructure itself to become a real driving force for the nation's development.

On the other hand, AMB President M[illegible]aga Lomelin assured that there has been important p[illegible]gress in the refinancing of loans, following the initial concerns which existed at the start of ADE.

Banks are constantly working to find new mechanisms to help debtors fulfill their obligations, however, this does not mean that another general program similar to ADE is foreseen, Madariaga Lomelin made clear.

During an interview, Madariaga Lomelin acknowledged that the problem of the overdue portfolio would not be solved before the end of this year.

Madariaga Lomelin believes that interest rates will tend to decline, because the current level cannot be justified in lieu of the inflation rate, despite the fact that the inflation rate has been high.

Moreover, Standard and Poor's, a U.S. company, affirmed that the measures adopted by the government so that the Mexican banking system becomes more transparent are consistent with more discipline in the market.

Roger Taillon, the director in charge Standard and Poor's department that evaluates the financial institutions, said that the measures taken by the Mexican authorities strive for banks to give more information.

In addition, Taillon stressed that the majority of Mexican banks "would not be viable without the government support they are receiving in cash, capitalization, refinancing, and purchasing of problem loans," following the financial crisis in December 1994.

Taillon said that in the short term, the government's support will keep the risk of the depositors and creditors relatively low, while the risk of the banking industry remains high.

Meanwhile, Clifford Griep, general executive director of the department of stock brokers and securities evaluations of Standard and Poor's, believes it is positive that the National Banking and Securities Commission follows norms similar to those followed in the United States.

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Mexico: Energy Secretary Discusses Industry Privatization

PA2903142696 Mexico City XEW Television Network in Spanish 0400 GMT 28 Mar 96

[From the "24 Hours" newscast]

[FBIS Translated Text] According to the Mexican energy secretary, privatizing the secondary petrochemical industry is not as important as some people think.

Energy Secretary Jesus Reyes Heroles has accused political parties and other groups of using the secondary petrochemical industry's privatization as a political banner.

[Begin Reyes Heroles recording] We are creating a mountain out of a mole hill. It is necessary to take into consideration that several factors are interacting in this process. [end recording]

During a dinner with members of the Mexican Finance Executives Institute, Reyes Heroles said the consequences and implications of the petrochemical industry's privatization have been exaggerated because such privatization has coincided with a number of political events.

[Begin Reyes Heroles recording] The Party of the Democratic Revolution's leadership, where one of the leading candidates is a local leader in Tabasco and therefore has ties to the oil industry, has largely been using the petrochemical industry as a banner. This position coincides with that of the National Action Party, which for many causes, such as strategy and relationships, withdraws, comes back to the negotiations table, and then withdraws again. In addition, this party's position regarding the petrochemical industry has not been expressed very clearly. [end recording]

He said that the state's reform must be considered and that the business sector has been watchful.

[Begin Reyes Heroles recording] Nevertheless, this position has been one of a certain reserve, caution, keeping its distance, and failing to take a clear stance. [end recording]

He explained the cause of the rejection of the privatization:

[Begin Reyes Heroles recording] The process has clearly become the target of all criticisms aimed at previous privatizations. It is true that there have been deficiencies in handling the allocation of resources, processes have been less than transparent, and that there have been monopolistic or oligopolistic practices and failure to comply with development programs. There is a long list. [end recording]

He said that, as a minimum investment, the energy sector requires 250.7 billion pesos on a medium-term basis and that nearly 50 billion of this amount will come from the private sector.

Mexico: Four Leftist Parties To Form 'Common Front'

PA2903121496 Mexico City LA JORNADA in Spanish 26 Mar 96 p 9

[Report by Rosa Icelia Rodriguez]

[FBIS Translated Text] Four leftist political parties (Pais [Broad Socialist Left Party], the PFCRN [Party of the Cardenist Front for National Reconstruction], the PPS [Popular Socialist Party], and the PT [Labor Party]) have decided to operate as a common front in a political program to establish the bases for their participation in the 1997 electoral process "in view of the possibility that the exclusionist attitudes of the PRI [Institutional Revolutionary Party], PAN [National Action Party], and the PRD [Party of the Democratic Revolution] might prevail in the political reforms."

During a news conference, J. Arturo Lopez, of the PT, Hector Delgado, of the PFCRN, Manuel Terrazas, of Pais, and Juan Campos, of the PPS, announced their efforts to promote this joint project.

They have said the PRI, PAN, and the PRD are promoting an elitist and exclusionist political-electoral program with a view to establishing a system of two or three parties that is not in keeping with the pluralism and homogeneity of Mexican society.

In view of the "dishonest" attitudes of those parties, they have voiced their agreement with the 1.5 percent allowing parties to obtain or affirm their registration with the status of conditioned registration [figura del registro condicionado] and also with the reinstatement of the right to vote of parties represented in the electoral bodies.

They also have proposed the reinstatement of common candidacies [candidaturas comunes], the elimination of the numerous and unjustified obtacles placed on coalitions, and that the electoral reform of the federal district give the country's capital its own electoral law.

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Costa Rica

Costa Rica: Government Grants Asylum to Ecuador's Dahik

PA0104024996 Panama City ACAN in Spanish 0211 GMT 1 Apr 96

[FBIS Translated Text] San Jose, 31 Mar (ACAN-EFE) — The Costa Rican Government today granted political asylum to former Ecuadoran Vice President Alberto Dahik, who fled his country in October after the Supreme Court of Justice accused him of misappropriation of public funds.

In a communique released tonight (local time), the Costa Rican Foreign Ministry reported that the executive has granted Dahik political asylum "beginning 29 March" (last Friday).

Therefore, Dahik, in his activities in Costa Rican territory, is subject "to the duties defined in the Caracas Convention on territorial asylum" and other international law regulations in force.

Dahik arrived in Costa Rica via Colombia on 11 October on a private flight. He left his country after a warrant of preventive arrest was issued against him, reportedly for misappropriation of public funds.

He filed a request for asylum on 31 October. Costa Rican authorities have since been assessing the documents submitted, both by Dahik and by Ecuadoran authorities in order to decide whether or not to grant him asylum.

El Salvador

El Salvador: Time Requested To Implement Shrimp Measures

PA3103222096 San Salvador EL DIARIO DE HOY in Spanish 24 Mar 96 p 11

[Report by Lourdes Mendez de Deras]

[FBIS Translated Excerpt] El Salvador will soon present a legal document to the Court of Appeals of the U.S. Court of International Trade after learning that the U.S. Government will submit to this organization an appeal on the ruling by a federal judge ordering that as of 1 May, 66 shrimp-exporting countries must present certifications as a requirement to continue exporting to that market.

According to Deputy Economy Minister Rene Antonio Leon, the measure was published in the U.S. official gazette, and it indicates that that country is preparing an appeal, which will be submitted to the Court of Appeals of the Court of International Trade soon.

He said that very likely the U.S. Government appeal will not ask to eliminate the required certification, but will ask for a three-year extension to implement the Turtle Excluding Device (TED's), as was done in the Caribbean and the Atlantic coast.

"Known as the appeal proposal, El Salvador will prepare a document that will explain the reasons why the government supports the contents of the U.S. Government's appeal and why it is asking that the ruling, issued by a federal trade judge, be reviewed," Leon emphasized.

The Salvadoran Government is currently investigating who will be involved from the U.S. Government, that is, the ranking officials handling the case.

The possibility of extending the 1 May deadline will be discussed, although it is known that the decision does not lie with them, but rather with the Court of Appeals of the Court of International Trade, the official explained.

He added that representatives of the Ministries of Economy and Agriculture, as well as the shrimp companies operating in the country are investigating to see which U.S. law firm will prepare the document, after the content of the U.S. appeal is known.

Leon stressed that El Salvador deems it necessary to implement the TED's as a mechanism to preclude the death of turtles in the nets of shrimpers.

El Salvador only wishes to be granted a reasonable amount of time to implement this mechanism among its shrimp fleet, as was done in the Caribbean and on the Atlantic coast.

According to the deputy economy minister, "no one can say how the problem will be resolved, because its solution does not lie with the U.S. Administration, but with the appeal to be analyzed by the Court of Appeals."

The continuity of shrimp exports to the U.S. market, which generate $32 million a year and which will require a certification as of 1 May, will depend on the ruling of this organization.

If the court decides to support the judge's ruling and the entry into force of this certification as of 1 May, El Salvador and another 65 countries will be subject to a trade embargo on their shrimp exports.

"A trade embargo would deal a serious blow to this sector. Consequently, it is not prudent to create false expectations that those $32 million earned from exporting shrimp to the U.S. market will be sold in another market. However, this does not imply either that this is the end of the shrimp industry," Leon pointed out.

According to Leon, the Fishing Development Center (Cendepesca), a branch of the Ministry of Agriculture and Livestock, is drafting a set of regulations designed

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to gradually implement the use of TED's among the country's shrimp fleet.

"We must define the orderly introduction of TED's, as well as determine what institution will be responsible for certifying the use of nets by the shrimpers, because it is known that other countries are constantly being decertified, even after having accepted the use of TED's," Leon explained.

This happens because some shrimpers leave with the TED's tied to their nets, but once on the high seas, do not use them.

In addition, random U.S. inspections have found that many boats are fishing without using the turtle-excluding device.

"The problem is that the certification is given to the country, and not to every individual boat. One single boat that breaks the rules could bring about an imminent embargo on the entire nation," Leon remarked.

We need an organization that demands the use of TED's and that offers training and technical support to the crews of the shrimpers on the operation of the device. In addition, we need another organization that certifies the use of the device.

The organizations will be local ones, although the creation of a new organization has not been contemplated. The organization assigned for this purpose could be Cendepesca, the environment division of the National Civilian Police (PNC), or the National Navy.

The verification will be conducted randomly, because it is not only necessary to know whether the boat left dock with the TED's, but also whether it uses the device while shrimping. [passage omitted]

El Salvador: Official Says Creation of FTAA Not Easy Task

PA2903171996 San Salvador EL DIARIO DE HOY in Spanish 26 Mar 96 p 14

[Report by Marvin Portillo]

[FBIS Translated Text] Last week economic ministers from this continent met in Cartagena de Indias in Colombia. This meeting brought to light the difficulties that should be overcome to create the Free Trade Area of the Americas (FTAA), which is to be implemented by the year 2005.

According to Salvadoran Deputy Economy Minister Rene Leon, one of this meeting's most important agreements was the commitment to study the creation of the FTAA based upon current subregional and bilateral agreements "in order to increase and deepen economic integration in this hemisphere."

According to the joint declaration issued at the conclusion of this meeting, the ministers acknowledged that "(existing agreements) have diverse and complex outlooks." In addition, this declaration ordered that the deputy ministers from the 34 participating nations should seek concrete recommendations before the upcoming Trade Ministerial Meeting in 1997 in order to merge these agreements into a single one.

Leon admitted: "The challenge is to find a way to transform the different agreements, some of which are compatible while others either go beyond the WTO or are below it, into an agreement that will be the basis for the FTAA."

After acknowledging that private opinion upholds that it is impossible to merge the numerous and different regional and bilateral agreements that exist, the Salvadoran deputy economy minister favored the construction of the FTAA based upon its own principles, while considering WTO commitments and aspects from the 24 regional agreements that do not violate WTO principles.

The Salvadoran official said: "It is not a matter of constructing the FTAA like a Frankenstein, by gluing together pieces from every agreement in order to build a single one. We should build a 'unique' new agreement that is negotiated by all 34 countries."

Harmony With WTO Principles

Probably this ministerial meeting's most important agreement was to continue negotiating the FTAA and its resulting commitments in harmony with WTO principles.

The joint ministerial declaration set forth that the creation of the FTAA is a process whose commercial practices will be equal to or broader than those of the WTO.

Second, the ministers agreed that the FTAA will not impose trade barriers on nonmember countries.

"This is important," Leon pointed out, "because once an economic bloc is established, the usual trend is to establish commercial protections so as to benefit member countries of this treaty, but to exclude or create new barriers against nonmember countries."

Disagreements

The deputy ministers were unable to agree on a definite date to start these negotiations.

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While some countries wished for negotiations to begin in March 1997, others preferred to wait longer, even until the year 2000.

Leon stated: "At least, it was made clear that we will determine at the next meeting the date on which formal negotiations will begin."

The Salvadoran official described the ministerial meeting as "typical" [as published] because discussions became stormy and diverse and even opposing positions were proposed.

Leon disclosed: "These kinds of meetings are generally more orderly. Everything is usually agreed upon at meetings, which are very formal and full of protocol. However, there were tremendous conflicts at this particular meeting because the ministers spent nine hours discussing paragraph 15 (regarding the promotion of labor rights and the environment) and negotiating with one another."

He added that El Salvador opposed the inclusion of the topics on labor rights and the environment in the agenda for future negotiations, because these could be used as obstacles to trade.

The Salvadoran deputy economy minister warned: "These topics could become either disguised obstacles or restrictive measures to trade. Therefore, the point is not whether or not we favor the preservation of the environment or labor rights, but is rather whether or not we will use these topics to hinder trade among our countries."

New Topics Added

The Cartagena declaration established the creation of four new work groups, which are: Purchases by the public sector, competitive policies, services, and intellectual property.

These were added to the following groups: Market access (headed by El Salvador); customs procedures and origin standards; investments; trade standards and technical barriers; sanitary, plant, and animal health measures; antidumping subsidies and compensatory rights; and small economies. The total number of work groups is now 11.

Leon said: "This means that in order for this to become a formal negotiation of the FTAA, it would only be required to form a work group to solve disputes."

Finally, he announced that the next ministerial meeting will take place in Brazil in 1997.

Results of the Business Forum

Before this ministerial meeting took place, private sector representatives from this continent met in the same city of Cartagena de Indias, and they reached an agreement on three main points:

The businessmen agreed:

First: To institutionalize their participation in FTAA, that is, to generate a business network to act as counterpart to the governments during the construction of the FTAA.

Second: That before negotiating and signing the FTAA, it should represent tangible benefits for business sectors in this region, and

Third: To develop a mechanism that will allow the private sector to have more participation in the ministerial discussions.

El Salvador: Peasants March To Reject Government Debt Plan

PA3003165996 San Salvador CO LATINO in Spanish 28 Mar 96 p 3

[FBIS Translated Text] Thousands of peasants who last decade depended on ISTA [Salvadoran Institute of Agrarian Transformation], FINATA [National Farmland Financing Company] projects, and later on the peace agreements through the Land Transfer Program [PTT], today marched, once more, to the Legislative Assembly to ask that it reject the government proposal to restructure the agricultural debt.

This is the second protest this week against the aforementioned plan, which the government seeks to approve by passing three draft bills, with the support of progovernment organizations such as the Salvadoran Communal Union (UCS), the National Peasant Confederation (Conferacion Nacional Campesina — CONFRAS), and the National Confederation of Cooperatives of the Agrarian Reform of El Salvador.

Today's march was organized by the National Forum for the Defense and Recovery of the Agricultural Sector, which says that the government's proposal violates the Constitution. The government-sponsored initiative is said to seek the selective reconcentration of land, forcing peasants to sell because of an impending 35-percent payment. [sentence as published]

The government proposal, Forum spokesmen Antonio Alvarez and Mauricio Cornejo today explained, does not guarantee the recovery or defense of the agricultural sector and it does not respond to the national interests. It also discriminates against women heads of households, the elderly, and handicapped individuals.

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In short, the government's proposal generates social instability in rural areas, with the loss of production capacity and means of living for those affected, further deteriorating the material conditions of the rural population.

The Forum's proposal to the Legislative Assembly recommends the pardoning of interest accumulated to date, pardoning of the amounts originally assigned to credits for the purchase of land, and the refinancing of the 10 percent resulting from the annual 6-percent fixed rate, nonconvertible loan with a six-year grace period, and a 30-year term.

In this regard, the National Forum requested that 10 percent of the amount paid by cooperatives be discounted. Among the measures for resolving the agricultural debt, they also asked that the aforementioned measures be extended to individual beneficiaries of the ISTA, FINATA, Land Bank, the PTT, as well as to the peace agreements. They requested the pardoning of capital and interests that were outstanding on the date of the promulgation of the corresponding decree.

Concerning the banking debt, the National Forum proposed the pardoning of interests accumulated to date for credits with ISTA and private banks; the pardoning of 75 percent of initial capital requested; and the refinancing of the remaining 25 percent at a fixed 4-percent annual rate, nonconvertible, with a 25-year term and a five-year grace period.

Finally, the Forum demanded the automatic pardoning of balances and original credit amounts for up to 10,000 colons for delinquent farmers.

All of these requests are included in the draft bill the Forum presented today called: "Act for the Reactivation of the Agricultural Sector," which does resolve the problem of the agricultural debt, as opposed to the initiatives proposed by pro-government organizations.

Guatemala

Guatemala: Squatters Scorn Constitution, Peace Process

PA3003232396 Guatemala City SIGLO VEINTIUNO in Spanish 27 Mar 96 p 49

[Unattributed paid advertisement; place, date not given]

[FBIS Translated Text] WE SCORN...

THE REPUBLIC OF GUATEMALA

BECAUSE:

—WE SCORN THE CONSTITUTION AND THE STATE OF LAW;
—WE SCORN THE ORDERS ISSUED BY THE ATTORNEY GENERAL'S OFFICE;
—WE SCORN THE JUDGES AND EVEN KIDNAP THEM;
—WE SCORN THE GOVERNMENT MINISTRY;
—WE SCORN COURT ORDERS;
—WE SCORN THE NATIONAL POLICE;
—WE SCORN THE CATHOLIC CHURCH AND TAKE ADVANTAGE OF ITS MINISTERS;
—WE SCORN ENVIRONMENT CONSERVATION ORGANIZATIONS;
—WE SCORN COMPANY EMPLOYEES AND ATTACK THEM;
—WE SCORN THE PEACE PROCESS;

SO WHAT!

DECALOGUE OF PRIVATE PROPERTY LAND SQUATTERS

Guatemala: President Arzu, Gen Balconi on Peace Talks

PA3003121996 Guatemala City Televisiete Television in Spanish 1900 GMT 27 Mar 96

[From the "Channel Seven News" newscast]

[FBIS Translated Text] President Alvaro Arzu commented that the issue of the war tax and the occupation of towns could be brought up by the government during the peace talks.

[Begin recording] [Arzu] Well, we are optimistic. We believe the proposals on social, economic, and agrarian issues are being thoroughly and seriously analyzed; and I understand the parties are willing to approve them.

[Unidentified reporter] Mr. President, will the collection of a war tax be brought up?

[Arzu] Yes [5-second break in reception] the issue is one of the first points, as well as certain actions of harassment that still continue. We want to believe this is due to a lack of communication between the general command and its units in the field, because they are spread all over. Therefore, these are two basic issues that will be discussed.

[Reporter] What is your opinion on the occupation of towns recently carried out by the guerrilla forces?

[Arzu] Well, the guerrilla forces have not occupied any private property, except in the town of Siquinala, where armed people did arrive. However, we believe this is because they have not received the appropriate communication from their respective command, telling them that we will not allow this type of armed occupations.

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We are willing to let them carry out political activities, unarmed and in a peaceful way, but not to coerce or try to exert pressure on the people to hear their messages, above all by armed people. Therefore, we cannot allow this and we have clearly stated that the Army will continue to fulfill its constitutional duty, and its constitutional duty obviously involves internal and external security. In other words, referring to internal security, any type of political activity must be carried out in a peaceful and unarmed way to prevent threats against the civilian population.

[Reporter] [Question indistinct]

[Arzu] This is undoubtedly a result of the Guatemalan people's desperation over the uncontrolled wave of violent criminal actions, but we expect these actions will end and people should let justice be enforced by the appropriate persons. I want to state something: It has been said that this is prompted by the Guatemalan people's lack of confidence in the Police authorities's ability to control the wave of violence. However, most of the people who were executed this way had been released from the Police stations, meaning they had already been arrested. [end recording]

Meanwhile, Defense Minister General Julio Balconi Turcios said the Army could answer the call from towns occupied by the rebels because this involves a provocation.

[Begin recording] [Balconi] This means we will not send military patrols to, for example, seek out the rebels in their camps but we certainly have the obligation to protect the population.

[Unidentified reporter] What are you going to do if those towns are again occupied by armed people?

[Balconi] Look, we will have to answer the people's call and do our work.

[Reporter] Do these actions endanger the peace process?

[Balconi] No, I do not think so. What we must do now is clarify these situations so we can clearly know when non-offensive actions will be carried out and how.

[Reporter] What do you think about the president's decision to allow the guerrilla groups' propaganda activities without weapons [words indistinct]?

[Balconi] I think it is an action of goodwill by the president because it allows the URNG [Guatemalan National Revolutionary Unity] to go from what has been an armed struggle to what would be a political struggle from now on.

[Reporter] Does the Army support the president's decision?

[Balconi] Yes, we support it because I believe we must all exert ourselves to understand these decisions if this benefits peace; and the URNG will have to change and do its part so the enthusiasm over the announcement that no more bullets will be fired does not vanish due to this attitude of threatening the population with weapons. [end recording]

Guatemala: Flores Residents Attack Minugua Office

PA3003010496 Guatemala City SIGLO VEINTIUNO in Spanish 28 Mar 96 p 46

[FBIS Translated Text] Army soldiers, backed by two armored personnel carriers, national policemen, and UN Mission for Guatemala (Minugua) personnel stopped the residents of Flores, Peten, yesterday, from lynching a man identified as Rudy Martinez Lemus. Martinez Lemus allegedly murdered a merchant from Momostenango, Quiche. The angry residents turned against the international observers who had stopped the lynching.

The victim was identified by other merchants as Moises Pelico Gomez who, according to neighbors and coworkers, was a honest and hard-working man, who had been selling handicrafts and other objects in the area for several years.

According to information provided by the National Police in Flores, a group of merchants, who saw the man when he shot his companion several times, jumped on Martinez Lemus, took him prisoner, and later, gave him a beating.

The merchants wanted to set fire to the alleged criminal but this act was stopped by Minugua and National Police personnel in the area. Thus, Martinez Lemus was saved from suffering the same fate of people in other areas who have been burned alive, as occurred in San Juan Comalapa on Tuesday.

Minugua Office Attacked

National Police spokesman Oscar Quinonez reported that a group of men attacked the Minugua office, and also burned a vehicle and a motorcycle, as the residents were carrying the slain merchant's coffin to be buried yesterday morning. The reason for this action is allegedly because the international observers and the policemen had stopped them from lynching Martinez Lemus.

Guatemala: Arzu Comments on Cease-Fire, Peace Talks

PA3003140996 Guatemala City SIGLO VEINTIUNO in Spanish 29 Mar 96 p 3

[FBIS Translated Text] President Alvaro Arzu Irigoyen yesterday stressed that his administration will struggle

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to make possible the signing of a firm and lasting peace agreement. He also expressed his satisfaction over the fact that 22 days after the implementation of the cease-fire agreement no soldier has been wounded or killed.

This is undoubtedly the most important detail at this phase of the negotiations with the guerrillas; an aspect worthy of mentioning, Arzu said.

Arzu was referring to the cease-fire that the guerrilla commanders announced a few weeks ago, a promise that, nevertheless, has been followed by armed incursions in towns in the interior of the country.

Arzu said that the subject of war taxes and armed occupations carried out by the Guatemalan National Revolutionary Unity (URNG) are aspects that should be discussed during the current round of talks being held in Mexico City.

As both sides should realize, I believe that there is some confusion regarding these two points, which at any given time could hinder the progress that has been made thus far, and therefore must be resolved, he noted.

Guatemala: Minugua Notes Positive Change in Human Rights

PA3003132496 Guatemala City PRENSA LIBRE in Spanish 29 Mar 96 p 19

[FBIS Translated Text] Jaime Esponda, verification director of the UN Mission for Guatemala, Minugua, commenting on the fourth report sent to UN secretary general, said that Guatemala has demonstrated a positive change regarding respect for human rights.

According to Esponda, the fourth report mentions the most serious human rights violations, but also notes positive advancements that have not been publicized.

The report must be read as a whole because although there are some disturbing aspects, we must also recognize the advancements.

Esponda said that many of the cases of human rights violations are part of a legacy linked to violent incidents during the armed conflict that has lasted more than 30 years.

He said that at present the state is not incurring the typical human rights violations, but nevertheless, within the groups that still persist it is obvious that there are persons linked to the state precipitating the impunity that still prevails.

Guatemala: Government, URNG Continue Round of Talks

PA3103000996 Guatemala City Televisiete Television in Spanish 1900 GMT 29 Mar 96

[From the "Channel Seven News" newscast]

[FBIS Translated Text] The Guatemalan Government and guerrillas today continued a round of talks that began on 27 March, but no accord will be signed, as there were disagreements on the agrarian issue.

The government and URNG [Guatemalan National Revolutionary Unity] delegations began the third day of the current round of talks in Mexico City without reaching an agreement on the socioeconomic issue and agrarian situation. Sources close to the negotiations have said no agreement was reached on the issue during the previous day of talks; therefore, it is expected that talks on 29 March will concentrate on both sides' recommendations on the government's proposal.

The sources, who have asked to remain anonymous, have said there are positive signs indicating that both delegations could reach an agreement on their positions without reaching specific accords.

The round of talks was supposed to end on 29 March, but they have decided due to the disagreement to continue on 30 March in order to begin a discussion on the agrarian issue, which is the most controversial.

According to the sources, the talks, which are being held with the UN mediation of French representative (Jean Arnold), have taken place within a positive atmosphere.

This meeting was the second formal one between the URNG and the government of President Alvaro Arzu, who was inaugurated on 14 January, but this is the first round of talks that are taking place during a complete cease-fire decreed by both sides.

The Guatemalan internal conflict, the oldest in Central America, lasting for 35 years, has resulted in 175,000 deaths, thousands of widows and orphans, and economic losses worth millions of dollars.

Guatemala: Government, URNG End Talks Closer on Issues

PA3103233196 Mexico City NOTIMEX in Spanish 2212 GMT 30 Mar 96

[FBIS Translated Text] Mexico City, 30 Mar (NOTIMEX) — Guatemalan Government and Guatemalan National Revolutionary Unity (URNG) delegates ended here today a round of talks in which they managed to bring their positions nearer on socioeconomic issues and

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decided to maintain the truce with regards to offensive attacks.

During a news conference, UN mediator Jean Arnault, who is a French citizen, read a communique that asserts the parties advanced in their discussions on Guatemalan social, economic, agrarian, and financial issues.

He pointed out that, during three days of talks in Mexico City, both parties agreed it is necessary to surmount their differences regarding social problems to be able to put a final end to the internal war, from which the country has suffered for the past 35 years.

The government and the guerrillas asserted that the future peace agreement must respond to the urgent demands of Guatemalans and take into account the economic situation in order to promote the country's development.

The mediator of the negotiations explained that, during this round, the first held amid a bilateral cessation of hostilities, the delegates had discussed the overall agenda and had not covered concrete details under each topic.

Gustavo Porras, head of the government delegation, admitted that although they managed to advance with regard to several socioeconomic issues, the negotiations are very complicated and it would be "difficult and irresponsible" to anticipate a date for the final agreement.

Porras and Rolando Moran, one of the five URNG commanders, added that the offensive cease-fire will be maintained by both parties. Porras, for his part, urged avoiding incidents that will endanger this agreement.

However, the Guatemalan Army will comply with its obligation to further surveillance and protect Constitutional order.

The guerrilla leader reported that the URNG will not attack, but will defend its combatants in case of attack and the possibility of taking "armed actions."

Both parties admitted they had met away from the negotiations table to discuss military issues with the objective of "stopping further bloodshed in the country."

In statements to NOTIMEX, Porras added that the talks had been fruitful because the URNG had abandoned the position that only by force could it keep the government at the negotiations table.

"They know we have a genuine interest in finding a political solution to the confrontation because this is what will allow us to catapult Guatemala's development possibilities," the government delegate added.

The guerrilla chief observed that the main achievement of the meeting was to separate the topics on which the parties agreed from those on which there is no accord.

"This will allow us to negotiate concrete issues and reach some kind of an agreement at the next round of talks, which still has no date."

The internal war in Guatemala, which has continued for 35 years and is considered the oldest in Central America, has left 175,000 dead, thousands of widows, and very high costs.

Honduras

Honduras: BCH President Reveals 1996 Monetary Plan

PA3103234196 Tegucigalpa EL PERIODICO DE HONDURAS in Spanish 29 Mar 96 p 2

[Report by Liliana Santos]

[FBIS Translated Text] Tegucigalpa — A 4-percent growth rate for the national economy and a seven point reduction in legal banking cash reserves are two fundamental aspects of the Honduran Monetary Plan for 1996.

The plan, revealed yesterday by the Central Bank of Honduras (BCH), had been impatiently awaited by productive sectors, because the approval of the plan was expected at the beginning of the year.

However, according to comments by various members of the economic cabinet, the enforcement of the plan was delayed because they had to wait for the results of the negotiations with the Paris Club, negotiations which took place at the end of February 1996.

BCH President Hugo Noe Pino explained that, in the first place, a 4-percent growth in the national economy is contemplated.

Noe Pino said that "this growth in real terms is compatible with an inflation rate lower than — or equal to — 16 percent."

The BCH president added that an important contribution to achieving this goal is the reduction of the government's fiscal deficit by 2.6 percent.

Noe Pino adds that, logically, to achieve these macroeconomic objectives, which also include an accumulation of $180 million in international reserves and will require a number of measures, it is necessary to:

A. Reduce the banking system's net loans to the nonfinancial private sector by 1.434 billion lempiras, which requires a decrease in BCH credit of 1.658 billion

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lempiras, because the rest of the banking system is expected to increase 224 million lempiras.

B. Reduce the cost of financial operations of the banking systems; commercial banks will be authorized to include as part of their obligatory banking cash reserves in public sector values a decrease of 7 percentage points remunerated at an interest rate which reflects the average cost of funds captured by said institutions.

The reduction will begin on 15 April with a 2-percentage point reduction in the obligatory banking cash reserves, a further two point decrease on 1 June, and three points on 1 October, for a total of 7 percentage points at the end of the year, reducing the obligatory banking cash reserves to 27 percent.

This disposition will apply only to those obligations deposited in national currency whose legal banking reserves are 34 percent.

C. Continue the banking cash reserves program for loan companies begun in 1995 until a 15-percent legal cash reserves rate is achieved.

D. Use the open market operation to place a maximum of 600 million lempiras in certificates of monetary absorption not subject to the obligatory banking cash reserves.

E. Revise interest rates for rediscounting to conform with the rest of the market.

F. Revise the monetary plan each quarter to adjust it to the change in the economic situation during the year.

Rediscounting Lines

Noe Pino said that in addition the monetary plan includes an increase in the rediscounting credit lines handled by the BCH for a total of 80 million lempiras, which are earmarked to strengthen the Housing Fund (FOVI).

"The Production Fund, which supports small and medium-sized companies, has also been increased by 50 million lempiras, which starting today will have 200 million lempiras. These quantities, added to the 40 million lempiras approved at the beginning of the year for the production of basic grains, total 320 million lempiras, which is the BCH's contribution to supporting housing and production in the industrial and agricultural sectors," Noe Pino explained.

The BHC president said that the National Agricultural Development Bank, Banadesa, has 160 million lempiras earmarked for loans to the agricultural sector, which takes us to a total of approximately 500 million lempiras in private sector financial support to agriculture.

"The goal of the monetary plan is to continue to reduce the inflation rate, which together with the programs to support production aimed at the industrial and agricultural sectors is in keeping with the reactivation program submitted by the administration in February," Noe Pino said.

Reduction of Interest Rates

Asked whether a reduction in interest rates was also contemplated, Noe Pino replied that that depended mainly on interest rates.

"In this case we are seeking to reduce the cost of financial operations so that, in addition to a reduction in the inflation rate, it will contribute to achieving lower interest rates," Noe Pino indicated.

Regarding the concern of the Honduran people about the continual increases registered in the price of fuel, Noe Pino pointed out that the Economic Cabinet was also concerned by this situation.

"This year, the greater part of the increases have been prompted by variations in the international market and by changes in the currency exchange rate," Noe Pino said.

This concern will be turned into specific measures to avoid a greater impact on the price of fuels in the near future.

"I cannot say what actions will be taken because they are still under discussion," Noe Pino concluded.

Panama

Panama: CBN 'Not Responsible' in Banaico Case

PA3003013696 Panama City LA PRENSA in Spanish 28 Mar 96 p 1

[Report by Ibeth Vega G. and Jose Otero]

[FBIS Translated Text] President Ernesto Perez Balladares yesterday said that the National Banking Commission (CBN) is not responsible for the crisis of the Agro-Industrial and Commercial Bank of Panama, Inc. (Banaico) which resulted in the bank's collapse. Perez Balladares stated that the CBN has no legal means of preventing such situations from happening.

According to Perez Balladares, the future reforms to the banking legislation must be intended to give the CNB enough legal authority to continue this type of investigation, and avoid that they result in bank insolvency.

"The reforms must also serve to ensure the strength of the banks that exist in the Panamanian financial system," the president remarked.

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For Perez Balladares, the existing banking law, which dates back to 1972, was approved when complex financial instruments did not exist and the number of banks at the banking center was smaller, so "its capacity to allow inspections and auditing actions in local banks has become obsolete."

"I believe most banks share this feeling," explained the president, who did not advance when the modifications to the banking legislation will be ready.

Nevertheless, Perez Balladares expressed that the case of Banaico is isolated and not common, adding that it may happen anywhere in the world where commercial banks are not handled in a responsible enough manner.

The president expressed hope that the CBN, together with the affected parties, may cover the deposits, especially local deposits.

Meanwhile, Attorney General Jose Antonio Sossa affirmed that for the time being it has not been deemed "expedient or necessary" to order the arrest of those involved in the Banaico scandal.

Sossa added, however, that a prohibition to leave the country has been issued against those involved, without specifying their names and positions. The attorney general concluded that those implicated are being questioned without any type of pressure.

Panama: Article on Banaico Case, Necessary Precautions

PA3003121696 Panama City LA PRENSA in Spanish 28 Mar 96 p 38A

[Article by I. Roberto Eisenmann Jr.: "Banaico(s)"]

[FBIS Translated Text] On 22 October 1995 our newspaper LA PRENSA published my article titled "When Bankers Are Bribers and Embezzlers," which caused a commotion but scant corrective action. Following the Banaico [Agro-Industrial and Commercial Bank of Panama, Inc.] incident, I must clarify that my article did not refer to Banaico, which means, Messrs. of the banking authority, there are more potential Banaicos around here.

I use the opportunity to indicate that LA PRENSA again proved its worth to the country. The government, upon learning about the investigation that the newspaper was conducting on the case, did what every government does: It called to request caution because the case could affect the image of the Banking Center and the country. LA PRENSA answered the way an independent media does: The investigation will be carried out and it will be published in full. Offer your version. The rest of the media remained silent, until the scandal uncovered by LA PRENSA did not allow them to continue ignoring the issue. It has been proven that LA PRENSA is one of a kind. It has been proven that LA PRENSA's team is also one of a kind... and it has been proven that the new chairman of LA PRENSA will surpass his predecessor, engaging in world-category journalism.

Now, back to the banks: Banaico has proved dishonest bankers have carte blanche to wheel and deal with other people's money... and the Banking Commission is the last one to know about it. I hear excuses that the Banking Law does not allow the Banking Commission to do this and that. My answer, as they say in Bocas del Toro, is *bulldozer*! What is quite clear is that the Banking Commission and its personnel have acted with inexcusable ineptitude, and its members hold their posts in an "honor" manner rather than how they should, a serious responsibility and regulating obligation. The law must be modified. We must sink our teeth deeper into it... and we must prevent bankers from being in charge of regulating other bankers, among other things; but in Banaico's case, if you analyze it based on the commission's obligations, the commission members and its personnel come out badly. However, the commission members are mostly serious and efficient professionals so they have the possibility of confronting the dilemma with a rectifying decision. The problem is also an opportunity.

Given the Banaico scandal, the only thing that can save the commission's responsibility is complete honesty and answering all questions with responsibility and sincerity. The country needs to know the list (with personal identification of directorate board members and owners in case of societies), amounts, arrears and guarantees in the loans portfolio. The list of transactions carried out by the bank's directorate members and shareholders with the bank in the last five years. The list of irregular transactions (with names) within the last 60 days before the intervention, and the list of transactions that are potential violations of banking regulations and ethics. This information is usually confidential but Banaico is no longer a bank; it is an organization undergoing liquidation by the official Banking Commission, and must be public domain. Also, a list must be published specifying the commission members' regulato[illegible]mistakes and the measures adopted to correct them.

Friends of the Banking Commission, whom I respect individually: Honesty is necessary because, I insist, like I said in the article I mentioned in the beginning, there are other potential "Banaicos" around here and the International Banking Center of Panama (one of our nation's examples of efficient globalization) cannot afford the luxury of having its regulatory commission,

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no matter how serious and respectable its members may be on an individual basis, ending up, collectively, again, looking like fools.

Panama: Economic Impact of U.S. Bases Leaving Viewed

PA3003040196 Panama City EL PANAMA AMERICA in Spanish 29 Mar 96 pp 1, 2A

[Report by Arnulfo Barroso Watson]

[FBIS Translated Text] The analysis on the economic impact that the departure of the Southern Command will have on Panama suggests that Panama should negotiate with the United States the continued presence of the bases of Howard and Sherman and recommends that the government ask for alternate compensations such as preferential economic treatment.

The delivery of the analysis to the political parties took place without the presence of the Arnulfist Party, the Christian Democratic Party, and the Nationalist Liberal Republican Movement which did not attend the ceremony to protest, according to opposition sources, President Ernesto Perez Balladares' statement describing as "animals" opponents who characterized his tour to Europe as a safari.

The report prepared by economists Jose Galan Ponce and Marcos Fernandez indicates that Howard and Sherman do not present any "very short term" possibility of economic use because they are not absolutely necessary for the harmonic development of the rest of the country and their maintenance represents high expenditures.

They suggest that the country can seek agreements for shared utilization of these basses without affecting the general economic plan. Their use does not necessarily have to involve the concept of base as long as the military pay for their maintenance and guarantee compensations that should increase the assets' yield.

The analysis indicates that in case Panama does not secure sufficiently attractive leases or sales prices, it should ask for alternate compensations ranging from preferential commercial treatment to a U.S. guarantee of not charging the residual value of transferred installations.

The compensations include preferential economic treatment, commercial agreements, investment guarantee mechanisms, access to development credits, and support for tourism and investment promotions.

The government must negotiate for a suitable maintenance of the assets the United States may provisionally use in Sherman, where it is necessary to safeguard the ecology; and Howard, where the installations must be maintained in optimum conditions.

Panama must also request the construction of infrastructures to increase the economic value of the bases to be returned, constructions necessary to produce the physical integration of Sherman to Colon and Costa Abajo. This would include two bridges and a road.

According to Galan Ponce and Fernandez, Panama should secure with the United States agreements to maximize the revenues to the national economy the permanence of U.S. troops in Panama may provide. These revenues are estimated at 35 million balboas for each 1,000 soldiers.

"The Economic Assessment of the Military Bases Withdrawal" flatly affirms that the military use of these properties is not the most beneficial for our country and that there are alternatives "of much higher" profitability for the economy.

The 94-page study estimates that the Panamanian economy will lose 179.2 million balboas a year in real resources during the first five-year period following the U.S. troops' departure in case the two governments decided against renegotiating the Canal treaties.

Economists Jose Galan Ponce and Marco Fernandez feel that by giving the bases a commercial use Panama would earn on the other hand 132 million balboas in real resources during the first five-year period and up to 381.8 million balboas in 2030.

During the second-five year period, the losses owing to the departure of the U.S. troops would drop to 175 million balboas, and would continue to drop gradually until reaching 172 million balboas 15 years following their withdrawal.

These losses would consist of the 25.2 million balboas in net salaries that 3,566 Panamanians working in the bases would cease to earn, 144 million balboas in the purchases, services, and other expenditures U.S. soldiers make in Panama, and 10 million balboas in the maintenance of the defense sites.

The earnings would improve with time. For example, in the second five-year period dividends would total 169.4 million balboas, rising to 205.9 million balboas in 15 years, to 266 million balboas in the fourth five-year period, to 326.5 million balboas in 25 years, and 381.8 million balboas 30 years after the U.S. troops' withdrawal.

Despite these encouraging figures, the economists warned that 25 years after all the defense sites have been reverted, close to two-thirds of the 32,000 hectares

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that correspond to the bases may not be economically utilized.

In the first five years, the utilization of installations suitable for high productivity activities such as the container parks, storage centers, and industrial zones in Diablo and Corozal, and the Arraijan Tank Farm would generate approximately 470,000 permanent jobs, close to 14 percent of the new job applications that reach the market.

The job growth rate would be slightly curbed in the second five-year period to 2,000 jobs and would then grow to 2,700 jobs a year and reach close to 5,100 jobs a year between 2015 and 2019. At the end of that period, 72,000 persons would be employed in the areas today occupied by U.S. military bases.

This figure has to be compared to the 3,566 persons currently employed in the defense sites, with total earnings that are in the neighborhood of 67.1 million balboas, which reflects a annual average salary of 18,826 balboas, or 3.5 times more that the national average salary paid in the rest of the country.

These figures do not include the close to 2,527 domestic workers employed in the bases, earning an estimated 7.1 million balboas, or an average monthly income of 229.37 balboas.

The economists also call attention to the onerous cost that the country will have to pay for the maintenance of the military bases. They note that such maintenance would cost Panama some 20 million balboas the first five-year period, and 7 million balboas the second one, 6 million balboas the third one, and 3 million balboas in 2020.

Not giving the Interoceanic Region Authority (ARI) these funds, either through the budget or its own earnings, would lead to a real loss of revenue opportunities because of the deterioration of these assets.

They are concerned because the upkeep and maintenance of all the bases that will revert represent "a little" above the yearly normal expenditures of such major institutions as the Legislative Assembly, the Comptroller General's Office, the Presidency of the Republic, or the Foreign Ministry.

The budget for normal expenditures of the Judicial Branch and the Attorney General's Office is similar to this figure and only the Health, Education, and Government and Justice Ministries substantially exceed this amount.

Financing the maintenance of the bases would amount to generating additional fiscal revenues similar to one-third the sales tax, the total personal income tax not deducted at the source, or 30 percent above the banana export tax.

The report warns that financing this upkeep will turn increasingly difficult owing to the rise in the state's current normal expenditures because of the special laws and the Social Security Fund deficit, compounded by the public debt servicing that will grow significantly after the year 2000.

This point is important if we take into consideration that the bases' commercial development will be slow. For instance, during the first five-year period, Fort Clayton will be 20 percent utilized until it becomes 100 percent utilized in 25 years. The utilization of Fort Kobbe will be 20 percent during the first five-year period and 50 percent in 30 years.

In the first five years, Fort Sherman will only be 2 percent utilized and 12.8 percent utilized in 10 years. Similarly, 5 percent of Howard will be exploited during the first five-year period and 80 percent in 10 years. Albrook Air Force Base will be 10 percent utilized in the first five-year period and 100 percent utilized in the fourth five-year period.

The utilization of the Rodman Naval Station is estimated to be 20 percent in five years and expected to be 40 percent in 10 years, where it stops because of the construction of the third set of locks.

The use of the Forts Davis and Espinar will go up by 178.9 hectares every five-year period, but in spite of that 716 hectares will still be unused by the year 2009.

The areas of Balboa, Margarita, Cocosolo, Diablo, Llanos de Curundu, Amador Fort, Gorgas (Ancon), Quarry Heights, Corozal and the Arraijan Tank Farm will be 100 percent utilized during the first five-year period.

Panama: Column Views Costs, Uses of Areas To Be Reverted

PA3003042896 Panama City EL PANAMA AMERICA in Spanish 29 Mar 96 p A2

[From the "Facets" column: "Base Conversion Will Be Slow and Costly"]

[FBIS Translated Text] The total areas to be reverted amount to 32,080 hectares, of which 17,736 are being used as military bases while 14,344 are being used for other purposes, including the 10,617 hectares of the Empire firing range and munitions depot.

High costs also have been estimated for Fort Amador and Quarry Heights. The highest costs per base are assigned to Howard Air Force Base, with $427.8

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million, Fort Clayton, with $220.7 million; and Fort Kobbe, with $210.4 million.

The costliest military base is Howard Air Force Base, with $1.18 billion because of the airport, followed by Albrook Air Force Base, with $393.8 million, Fort Clayton, with $302.5 million, and Rodman with $169.6 million. The total cost of the installations was estimated at $2,931,070,000, while the total amount of the assets to be reverted amounts to $4.611 billion.

The study cites proposals for the commercial use of the military installations based on opinions by the consortium of consultants Nathan/Intercarib, ARI [Interoceanic Region Authority] executives, and other experts on the matter.

In the case of Fort Amador, the experts recommend a tourist project, and for this plan, they recall that the ARI has drafted three hotel proposals, are preparing the terms to build a shopping center, and are studying the possibility of building a cruise ships terminal in 1996.

For Albrook, they have said U.S. companies that build communities for retirees have expressed interests in the residential area, which would bring along some sort of permanent tourism and the construction of a shopping center.

There are valuable installations that will revert in 1999 to store dry and perishable goods, to repair vehicles, and other activities related to warehouses and transportation in West Corozal, located west of Gailard highway.

These installations have access to the southern entrance of the Canal located before Miraflores Locks, and although there are no docks there, experts claim it is feasible for them to handle medium-sized vessels for the transshipment of merchandise.

Fort Clayton, with its 883 hectares, will be first one to be formally inhabited by people moving from the western area of the Canal to Panama City via a new overpass or underground bridge that will be built in the next 10 years.

Some experts say Fort Clayton and Albrook Air Force Base will become Panama City's new downtown area because of their proximity to the capital, their 1,392 housing units, and buildings already housing schools.

These houses would become a natural element of attention should a military presence of more than 5,000 soldiers on the Pacific be negotiated. A smaller fighting strength could be housed in Howard Air Force Base's 706 houses or in Fort Kobbe's 264.

Howard, Kobbe, and Rodman. This military complex is characterized by the versatility of its installations that include houses, first-rate airports, an 8,500-foot long landing strip, and three docks along the Canal on the western shoreline.

The best use for Fort Kobbe would be to maintain its houses to exploit them touristically with the Pacific beaches, to establish industrial parks, to develop the Howard Airport, and to build a center to upkeep vessels.

The Rodman Naval Base has port facilities that would have to be substantially modified once construction of a third set of locks is started in the year 2005, and thus any use of this base would last only 10 years after reversion.

Forts Davis, Espinar, and Sherman. Everyone knows that Taiwanese investors have committed themselves to establish zones to manufacture exports in this area.

Espinar is suitable for the construction of a hotel at the former School of the Americas, the installation of a Swiss Hotel School, the construction of a commercial area, and the sale of its houses to the public.

Sherman's 9,352 hectares contains one of the continent's most notable biodiversity zones and houses the United States sole jungle training center. It has dormitories for 300 people, 67 houses, an 846-foot long landing strip, and beaches with tourist facilities.

Ecological tourism is the most viable option for this base. The airport would have very little commercial value, because its size precludes the landing of passenger and cargo planes.

Galeta Island has international communications installations that are very important to the Department of Defense but of very little apparent use for Panama.

Panama: Commissions Installed for Canal Transition

PA3103013796 Panama City Circuito RPC Television in Spanish 2300 GMT 29 Mar 96

[From the "RPC Television News" newscast]

[FBIS Translated Text] Everything is going smoothly for the transition of the Panama Canal to Panamanian control.

The working commissions in charge of handling the information exchange between the Transition Commission and the Panama Canal Commission [PCC] for an orderly transfer of the waterway on 31 December 1999 were installed today. The 10 working commissions will have the difficult task of checking planning and organization, juridical matters, financial affairs, maritime operations, human resources, basins, and environmental control and decontamination, among others.

The working commissions consist of 25 transition commission delegates and 25 PCC delegates. These

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delegates will establish personal points of contact for the consultation work that will make possible the drafting of recommendations that will be made to the executive:

[Begin Jorge Eduardo Ritter, executive director of the Transition Commission, recording] We have to hold a permanent contact to establish regulations for the personnel who will work in the future Panama Canal Authority. We have to create working commissions. One or two Transition Commission members will be in permanent contact with one or two PCC members. The idea is for each official to know with whom he has to deal. [end recording]

Ritter has looked optimistically on the apparent challenge after 31 December 1999.

Panama is fully prepared to manage the Canal efficiently. Canal Administrator Gilberto Guardia has suggested that Panama and the United States reach preliminary agreements so difficulties can be averted by means of outside advice:

[Begin Guardia recording] Other U.S. Government agencies support the PCC. After the year 2000, this support will automatically cease because the Canal will have ceased being a U.S. agency supported by other U.S. agencies; that is, in certain cases, Panama will have to consider a specific problem and then consider the available alternatives and make a decision. An alternative can be an arrangement with the U.S. Government so the U.S. Government can continue supporting the Panama Canal Authority on specific issues. [end recording]

Guardia also has said he will remain in post until the U.S. Government confirms the appointment of a new Canal administrator, a responsibility that will probably fall on Alberto Aleman, whom President Ernesto Perez Balladares has designated. Nevertheless, between one and three months could pass before the U.S. Government approves the designation.

Panama: Parties Faulted For Not Accepting Report on Bases

PA3103230196 Panama City LA ESTRELLA DE PANAMA in Spanish 30 Mar 96 p a1

[From "LA ESTRELLA DE PANAMA's Opinion"]

[FBIS Translated Text] It can be affirmed without a doubt that, along with our struggle for independence, the problem of the reverted and to-be-reverted areas and the future presence of some U.S. military bases in our country after 2000 has the greatest economic and political importance for our country, and the significance has arisen before us collectively and has to be faced and resolved without any possibility of eschewing it.

In order to ensure that the opinions voiced on the matter were well-grounded, the national government commissioned prestigious economists to prepare a detailed and objective report of what can and cannot be done in the short and medium term with the 32,000 hectares that will be incorporated into the Republic's jurisdiction and what the permanence or withdrawal from our country of some U.S. military bases, especially Fort Sherman and Howard, would mean. For that purpose, Foreign Minister Gabriel Lewis Galindo invited representatives from all political parties in order to brief them and hand them a copy of this document.

The absence of the leaders of three opposition political parties seemed somewhat unexplainable, given that the decision on whether some bases stay or not is of the utmost importance for all Panamanians today and tomorrow, regardless of whether or not they belong to political parties, and the only intention was to enlighten those who at some time will have to comment on the matter. These parties cannot lose sight of the unobjective realities that the aforementioned report reveals.

Panama: Korean-U.S. Consortium To Invest in Amador Area

PA3103135696 Panama City LA PRENSA in Spanish 30 Mar 96 p 17A

[By Manuel Santamaria Loo]

[FBIS Translated Text] United Enterprise Trust Group, a Korean-U.S. consortium, has signed a letter of intent with the Interoceanic Region Authority (ARI) to establish the groundwork for building hotels in the Amador area.

This is an advance in the hotel construction program in the Amador area, with investments valued at $100 million, the ARI reported.

Consortium chairman Jin Kim and ARI administrator Nicolas Ardito Barletta signed the letter of intent yesterday, which is the beginning of a series of negotiations to carry out the project.

Ardito Barletta informed Kim and his delegation about the projects destined for the development of the reverted areas and those that will revert in the maritime, industrial, tourist, and ecological sectors.

Last Thursday, the CHC Fort Inc. (Carnival Hotel and Casino), and the ARI also signed the first letter of intent that determines the principles for establishing a hotel in the tourist development area of Amador.

Officials from the ARI, the National Port Authority, and the Panamanian Institute of Tourism worked jointly to

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obtain the first agreements with the Carnival Hotel and Casino.

The Amador development plan proposes the construction of six hotels with a 1,366 rooms capacity in the area of the former Fort Amador.

The construction of the hotels, in addition to the other facilities that are planned for the former military base area, are part of a project called "Fort Amador: First Tourist Center of the Country," prepared by Edward D. Stone and Associates (EDSA), whose the goal is to make Panama attractive to foreign tourists.

The construction of the hotel complex in Amador will cost $450 million and the first stage is scheduled to begin during the last three months of this year and will conclude in the year 2000.

This fort, built between 1911 and 1915 as a U.S. Army coastal artillery post, was named in honor of the first president of Panama, Manuel Amador Guerrero.

Fort Amador, with 162 hectares, includes the islands of Perico, with 12.5 hectares, Flamenco, with 13.5 hectares, and Naos and Culebra, with 15.8 hectares.

The islands are connected to the mainland with a road called the Amador Causeway, which has a diameter [as published] of 13.5 hectares.

ARI is promoting the Amador area at the international level to obtain contracts for the construction of hotels and commercial installations prior to its reversion in October of this year.

Panama: Cabinet Council Approves President's European Trip

PA3103041896 Panama City LA PRENSA in Spanish 30 Mar 96 p A1

[Report by Ibeth Vega C.]

[FBIS Translated Text] The Cabinet Council has authorized President Ernesto Perez Balladares' visit to Europe to promote foreign investments in Panama, political sources announced yesterday.

The government held a General State Council in Cerro Azul yesterday and authorized the president's official tour slated for 9 through 20 April.

It was learned that the tour will begin in Belgium on 9 April, will continue to France and Italy, and conclude later in Athens, Greece.

This new trip by President Perez Balladares has been criticized by the opposition, which feels his trips have not yielded positive results for the country.

This perception has been denied, however, by the government sector, which has said these trips seek to promote the image of Panama abroad with a view to obtaining new investments that will provide employment.

During the last year, the unemployment rate remained at 13.8 percent of the economically active population.

Planning Minister Guillermo Chapman, who did not disclose the cost of the presidential tour, justified the expenses of the trip with the benefits the country will obtain regarding investments.

The president will be accompanied on this trip by First Lady Dora Boyd de Perez Balladares, Foreign Minister Gabriel Lewis Galindo, Planning Minister Guillermo Chapman, Education Minister Pablo Thalassinos, Housing Minister Francisco Sanchez Cardenas, and Commerce Minister Nitzia de Villarreal.

Representatives from the business sector who will cover their own expenses will also go on the trip.

The resolution approved yesterday establishes that First Vice President Tomas Gabriel Altamirano Duque will be acting president in the absence of Perez Balladares.

Meanwhile, the Cabinet Council approved the purchase of 360,000 student knapsacks that will be distributed among all students of the public grammar schools as of 1 April when the 1996 school year begins.

Panama: Economic Report on U.S. Withdrawal Viewed

PA3003205696 Panama City EL PANAMA AMERICA in Spanish 30 Mar 96 p E10

[Report by Carlos Vargas]

[FBIS Translated Text] The opposition challenged yesterday a report regarding the economic impact of the withdrawal of the U.S. Southern Command because the report's authors, Jose Galan Ponce and Marcos Fernandez, are partners of Planning Minister Guillermo Chapman.

The first to question the document, although he admitted he had not read it, was former President Guillermo Endara, who said he could not have "much confidence in a report whose conclusions were already predicted."

In addition, the two individuals who prepared the report "are partners and think along the same line as Chapman," Endara said.

Civic Renewal Party member Marcos Fernandez also questioned the report saying that it was intended to "frighten" the opposition with the story that is dangerous to have so many events taking place in 1999, events such

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as Panama's taking control of the canal, the reversion of U.S. military bases, the elections, etc.

Recently, Fernandez recommended that the United States "move forward" the date for turning over of the canal to avoid the "shock" produced by the concurrence of the previously mentioned events.

Moreover, Jorge Ritter, former foreign relations minister and executive secretary of the Transition Commission for the Transfer of the Panama Canal, said that it would be "biased" to affirm that the report tries to encourage a negotiation of the bases.

Ritter says that the report is an "impersonal report based on statistics."

The economic evaluation of the withdrawal of the bases establishes that Panama will lose $172.2 million per year because of the withdrawal of the U.S. Southern Command, however, the report emphasizes that these same bases represent an opportunity for greater profits for the country. [sentence as published]

Panama: Canal Users Argue U.S. Presence Offers Security

PA3003205596 Panama City EL UNIVERSAL DE PANAMA in Spanish 30 Mar 96 p 1

[Report by Gerardo Berroa and Jose Eduardo Sanchez]

[FBIS Translated Text] Panama Canal users have more confidence in the smooth operation of the waterway if there is a presence of U.S. military bases in Panama, Panama Canal Commission [PCC] Administrator Gilberto Guardia said yesterday.

According to Guardia, this is because there is a belief that the presence of military bases guarantees that the canal cannot be attacked.

"The users certainly have more confidence with the presence of the bases here, because there is a belief that this constitutes an additional guarantee that the canal will not be attacked. However, the truth is — if we look at this realistically — the canal is no longer a military target; it is not a location that must be defended with armies or military bases. I believe this is what the United States foresaw when they negotiated the withdrawal of the military bases from Panama in the treaty. They reached the conclusion that to defend the canal, it is not necessary to have an army here," Guardia remarked.

Guardia made this statement after an economic study on the impact of the departure of the military bases recommended the promotion of agreements with the United States to renegotiate the stay of the military installations of Howard and Sherman after the year 2000.

Guardia said that he had not read the study yet, but believes that if there were any negotiation between the United States and Panama, its results, from an economic point of view, would not significantly compensate the profit loss after the departure of the military bases.

Guardia added that "I believe any negotiation will be based on mutual benefit rather than economic factors."

Jorge Eduardo Ritter, executive director of the Transition Commission for the Transfer of the Panama Canal, said that the economic study on the withdrawal of the military bases is in keeping with whatever repercussions were expected as far as the substantial losses for Panama after the removal of the bases are concerned.

"This study only emphasizes for the Panamanians the necessity of finding new uses for the bases, which are scheduled to be closed to spare the Panamanian Government the expense involved in maintaining and protecting these installations," Ritter noted.

Ritter also rejected that the economic report was prepared with the intent of justifying the renegotiation of the military bases.

Meanwhile, Carlos Lopez Guevara, adviser for the negotiation of the Torrijos-Carter treaties, stated his disagreement with negotiating the stay of the military bases in Howard and Sherman, as disclosed by the study on the economic impact of the withdrawal of the military bases.

According to Lopez Guevara, with an appropriate planning and marketing survey of these areas, the benefits and profits being currently obtained can be surpassed. Consequently, Panamanians should work hard to turn these bases into centers that generate greater benefits for themselves.

Lopez Guevara also denied that the stay of the bases would have any significance on the fight against drug trafficking, since the U.S. authorities themselves have admitted that no army will win this war.

Although this study recommends the renegotiation of some U.S. military installations, since the state has no resources to maintain the areas without incurring losses, the negotiations should be conducted after the treaties are fulfilled.

It is not possible to reach an agreement before the year 2000 since the United States could take advantage of the situation to derive further benefits. What Panama should do before discussing the issue is wait for the United States to present a proposal.

Meanwhile, Leroy Cargill, secretary general of Local 907, said that the study presented is realistic when

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it recommends that the stay of the military bases in Howard and Sherman be negotiated, because this would preserve the jobs of a large number of Panamanians who are on the outs in light of the bases' departure.

The Panamanian Government has demonstrated that it is unfit to solve the country's problems, much less provide jobs to the thousands of workers who work in the U.S. military bases.

Thus far, there are no consistent or reliable plans to demonstrate that the government is trying to find a solution for the Panamanians who work in these areas.

The said study is a key element for Panama to adopt a position with a view to the coming meetings to discuss the renegotiation of the bases.

According to the authorities of the Panamanian Foreign Ministry, no specific date has been established to continue the negotiations on the future of the military bases.

Panama: Evergreen Invests $75 Million in Port Construction

PA3103195896 Panama City Circuito RPC Television in Spanish 1730 GMT 30 Mar 96

[Report by Alvaro Alvarado; from the "Midday Television News" newscast]

[FBIS Translated Text] Evergreen Shipping Company plans to open a school in Panama to train national human resources that will be hired for different jobs. This announcement was made by Evergreen President Captain Lym, who also said that the works for the construction of a port in Balboa [as heard] will begin in May.

[Begin Captain Lym recording, in Chinese with superimposed Spanish translation] In addition to the investment, Chairman Chang, who is president of the Evergreen Holding, is seriously considering the possibility of establishing in Panama a school that services its installations here not only training captains and engineers for the ships, but also the rest of the personnel involved in an operation of this nature.

Regarding the port they will build on the Atlantic side, construction is scheduled to begin in mid-May of this year, and they estimate that construction could be completed in late July and the port will be fully operational by late 1997. [end recording]

Contacts have been made with other shipping companies and crane manufacturers that may participate in the port construction work that will be carried out on this Atlantic side.

This kind of announcement is promising at a time when the president of the Republic is strongly questioned for his trips abroad to seek investments, Foreign Minister Gabriel Lewis Galindo has said.

[Begin Lewis Galindo recording] To try to dampen a presidential tour, which takes time and effort because it is not a pleasure trip, is not patriotic. In the case of the president's tour of Asia, it has been said that no specific investments have been made. You just heard Captain Lym say that in the first stage, they will invest $75 million to build a containers port in Colon. He just said that one of the reasons for this is the assurances that we offer, but if we destroy what we are doing, I think we are on the wrong track. [end recording]

Regarding the issue of the possible negotiations with the United States to sign a new base treaty, Lewis Galindo explained that we are currently assessing the recently presented economic study. Opinions will be received and later a decision will be made. The foreign minister made the aforementioned statements when the mayor of Taipei, who is visiting some Latin American countries, paid a visit to his home.

Panama: PRD Reportedly To Approve Amnesty, Draft List

PA3103202596 Panama City EL PANAMA AMERICA in Spanish 31 Mar 96 p 1A

[Report by Carlos Teofilo Gonzalez and Carlos Vargas]

[FBIS Translated Text] The hierarchy of the ruling Democratic Revolutionary Party (PRD) agreed yesterday to definitely approve an amnesty law that will exclude only 56 of the 1,100 cases presented to a commission headed by Legislator Balbina Herrera.

The decision was made after a meeting in Chiriqui attended by President Ernesto Perez Balladares in his capacity as PRD secretary general.

Balbina Herrera, who presides over the PRD Amnesty Committee, announced that this bill will be discussed at the Assembly in mid-May.

"There are 56 famous cases of serious embezzlement and homicide that do not qualify for amnesty," Herrera said. She avoided naming those excluded, but highlighted the case of Father Hector Gallego's assassination.

However, the official party legislator admitted that the amnesty will benefit those accused of minor embezzlements.

The National Executive Committee and the National Leadership Council [Consejo Directivo Nacional —

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CDN] decided that amnesty approval will be based on a list of beneficiaries that will be revealed at the opening of the second debate at the Legislative Assembly.

Herrera noted that the list includes "corporals, privates, sergeants," and civilians whose cases have been pending at the Prosecutor's Office and judicial branch since the U.S. invasion.

Panama: Politician Says U.S. Bases Can Be Economic Centers

PA3103220796 Panama City EL UNIVERSAL DE PANAMA in Spanish 31 Mar 96 p 32

[Report by Blas Arrocha]

[FBIS Translated Text] Ecologist and politician Carlos Arellano Lennox has said that Panama has not yet realized all the advantages that can be obtained from the military base land returned to the country.

He explained people continue to think that U.S. soldiers provide a lot to the economy, but "nobody reports how much advantage we can obtain from the military bases if the North Americans leave."

He said that these areas could become centers for economic development, which is why he disagrees with the permanence of U.S. bases.

Arellano Lennox said sufficient "guts" are needed to tell the North Americans to return the territory, and then Panamanians will see that greater economic advantages can be obtained than from the military bases. He said the military areas should be prepared much more for ecological tourism.

An economic study on the impact of the U.S. military bases' withdrawal suggests promoting agreements with the United States to maintain the Howard and Sherman military installations after 2000.

The report, prepared by economists Jose Galan Ponce and Marco Fernandez, was handed to the political parties' representatives Thursday for their evaluation.

According to the report, the Sherman and Fort Clayton bases must be maintained as military bases, because they are in an ecological region and the maintenance costs would be significantly higher for Panama if they are not maintained.

"Given that Tocumen Airport is not being used to full capacity, its maintenance cost would be higher; therefore, the use of Howard airport in the long-term could be equally feasible. [sentence as published; no closing quotation mark as published]

For the economists, these areas are viable so long as the military covers the maintenance costs and there are compensations that raise the economic yield of using the total assets.

Albrook and Clayton constitute logical areas for the natural development of Panama.

"If we keep a military base, not only will we not be able to develop tourism, but also the contamination that the military base creates will continue," Arellano Lennox stated.

He asked, if the canal cannot be defended, why is it going to be defended? In his opinion, the best defense is its neutrality, that is, its access for the whole world, to all flags, which was the purpose for which the canal was constructed.

He said that the presence of a military base makes Panama an attack point, and that is what Panamanians do not want.

When asked about the opinion that the presence of an army in Panama could help to fight drug trafficking, he asked, if the United States is the country that uses the most narcotics, why doesn't it go out to fight drug trafficking? [sentence as published]

Panama: Government Decree Creates Foreign Trade Council

PA0104043596 Panama City LA PRENSA in Spanish 31 Mar 96 p 3A

[Report by Lastenia Murillo Munoz]

[FBIS Translated Text] With Executive Decree Number 50, President Ernesto Perez Balladares has created the Foreign Trade Council of the Presidency of the Republic that will be in charge of designing strategies that will allow Panama to join trade agreements at the multilateral, regional, and bilateral levels.

The president feels that unemployment and poverty are among the most serious problems Panama has, and therefore it is necessary for the government to create this new institution, the official document points out.

One of the paragraphs emphasizes that it is necessary for the government to develop a successful economic policy in promoting national and foreign investments.

According to the decree, the government promotes the opening of solid, stable, and attractive markets for Panamanian products in order to create the necessary conditions for ensuring national and foreign investments.

The decree adds that the government considers that the commercial integration of Panama is necessary through multilateral, regional, and bilateral foreign trade agreements and treaties.

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Until now, there has been no organization to coordinate, organize, plan, or direct these negotiations. The new organization will coordinate with other government organizations on the development of the obligations and rights that are derived from international commmercial agreements.

Panama: National Security Council on U.S. Certification

PA0104024596 Panama City EL UNIVERSAL DE PANAMA in Spanish 31 Mar 96 p A2

[Report by Victor Dagoberto Torres]

[FBIS Translated Text] Gabriel Castro, director of the National Security Council, has stated that the certification given by the U.S. Government to Panama for its struggle against narcotics trafficking and money laundering "did not entail any conditions."

Nonetheless, Castro said that, during the previous administration, the United States granted the certification for security reasons, but that after President Ernesto Perez Balladares took over, the certification given to Panama was without any conditions.

U.S. sources reported that the U.S. Government granted a favorable certification to Panama for reasons of national security related to the canal and U.S. military bases.

Castro said that part of the budget of the National Police, of the Police Investigation and Information Department (DIIP), and of the Judicial Technical Police (PTJ) is allotted to the struggle against narcotics trafficking.

The government also allots, Castro said, a budget for state security and the Colon Free Zone to fight narcotics trafficking.

The state security official said that the United States has always been a partner in the struggle against narcotics trafficking and money laundering and supports Panama with training, computer equipment, and donations of vehicles.

The chief of state security emphasized that Panama will assign some land from the reverted areas for creating a multinational center against narcotics trafficking.

The multinational center against narcotics trafficking will be operating once all the countries approve the idea and the U.S. Government delivers to Panama the installations on which there are plans to develop the center against drugs, the official from police investigations [title as published] explained.

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Argentina

Argentina: Menem, 'Arafat Seek U.S. Help in Gaza Strip

PY2903190996 Buenos Aires TELAM in Spanish 1821 GMT 29 Mar 96

[FBIS Translated Text] La Rioja, 29 Mar (TELAM) — President Carlos Menem today promised Palestinian leader Yasir 'Arafat he would talk with U.S. President Bill Clinton in an atempt to find a solution to the closure of the Israeli border in the Gaza Strip, which affects Palestinian National Authority workers.

It was officially reported that Menem told 'Arafat: "I will get in touch with you right after I talk with Clinton." During a telephone conversation, which was established at about 1345 [1645 GMT] today, Menem told 'Arafat: "We will make our best effort to strive for peace in the Middle East."

Argentina: Article on Menem, 'Arafat Conversation

PY2903233796 Buenos Aires TELAM in Spanish 2027 GMT 29 Mar 96

[Article by Raul Berneri]

[FBIS Translated Text] La Rioja, 29 Mar (TELAM) — President Carlos Menem today promised Palestinian leader Yasir 'Arafat that he would talk with U.S. President Bill Clinton and with UN Secretary General Butrus Butrus-Ghali in order to continue with his task in seeking a solution to the crisis of the closing of the border with Israel.

"As soon as I have talked with Clinton, I will get in touch with you," Menem told 'Arafat, and he said that "we are very concerned about this situation." He again offered to "travel to the region if it is necessary in order to personally undertake every type of action."

It has been officially reported that today, from this city, Menem had a telephone conversation with 'Arafat, who thanked the Argentine president "for his efforts and good offices in trying to seek a solution to the problems affecting the Middle East."

The head of state also made known his intention of speaking about this topic with UN Secretary General Butrus Butrus-Ghali, with whom "he will discuss some aspects of this serious problem."

Menem received 'Arafat's telephone call today at 1345 [1645 GMT] while he was participating in a luncheon at the residence of the governor of La Rioja Province together with a reduced entourage.

The president went to a room adjoining the dining room, where he had his conversation with the Palestinian leader in the company of Alberto Kohan, secretary general of the presidency; Raul Delgado, communications secretary; and Ramon Hernandez, his private secretary.

The conversation took place with simultaneous translation provided by the Palestinian ambassador to Chile, who was in the company of the head of the Palestinian National Authority.

"I am very happy to hear your voice. I thank you for your efforts and your good offices in trying to resolve the problems of the Middle East," 'Arafat said, and he highlighted the "very complicated circumstances that my people are experiencing."

According to what has been reported, 'Arafat highlighted the fact that "there is a total blockade against the Palestinian people, and as you well know, this blockade is an act of war."

Menem recalled that he had had the "opportunity of speaking with Shim'on Peres" and that the Israeli prime minister had "promised him that he would slowly make the blockade more flexible, and I believe that within the next few days we will see the first results."

The president promised that "next week he will also try to contact the U.S. President to discuss an end to the blockade that affects the Palestinians who have jobs in Israel."

After thanking him for this proposal, 'Arafat told Menem that "we need efforts such as yours," and he expressed the belief that "there is a very serious threat to the Middle East peace process, not only with regard to Palestine and Israel, but the entire region."

Menem, who called 'Arafat "president and brother," then responded by saying that "we are very concerned about this situation," and he expressed his "hope" of "seeking a quick solution to this problem."

At this point, the head of state offered to "travel to the region if necessary in order to personally undertake every type of action." "I would have no problems with regard to making the trip; you must determine whether or not a trip would be convenient," he said.

The Palestinian leader reiterated his "profound thanks" for Menem's actions and he lauded his "good will." At the same time, he expressed the opinion that the possibility of a chat with the U.S. President would be an "interesting alternative."

"It would be very convenient to await the outcome of your talk with Clinton because a solution could emerge and afterward we could have a quick conversation," 'Arafat added.

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"As soon as I have talked with Clinton I will contact you," Menem answered, and he also stated that "I also plan to talk with UN Secretary General Butrus-Ghali, with whom I will discuss some aspects of this problem."

The Argentine president highlighted the importance of seeking a solution to the region's conflict, and he stressed his willingness to "make every necessary effort in order to achieve peace in the Middle East."

"Arafat reiterated his "gratitude" for Menem's actions and the "willingness" of the Argentine president, and he said good bye by noting that "I am sorry for the bother that I have caused you, but I feel a great happiness deep in my heart for your interest" in the problem.

"When you believe that it is convenient to contact me, do not hesitate to do so," Menem answered, and expressed "affectionate greetings to you and your people."

Argentina: Cavallo, Chile's Aninat Review Mercosur Entry

PY2903210396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1643 GMT 29 Mar 96

[FBIS Translated Excerpt] Buenos Aires, 29 Mar (NA) — At a time when farmers in Chile are emphatically rejecting Chile's entry into Mercosur [Common Market of the South], Economy Minister Domingo Cavallo and his Chilean counterpart, Eduardo Aninat, today reviewed this issue. [passage omitted]

During the meeting, at which Foreign Minister Guido Di Tella also participated, Cavallo and Aninat discussed key issues, including the intraregional trade of agricultural and livestock products. [passage omitted]

Sources who participated in the meeting reported that it served to further discussions on economic complementation as a prior step for a free trade agreement between Chile and Mercosur.

The sources did not confirm if the corn and oil entry quotas, an issue in which Argentina is especially interested, were expanded. [passage omitted]

Those who participated were Cavallo; Aninat; Di Tella; Jorge Campbell, Foreign Ministry under secretary for international economic relations; Trade and Investments Secretary Marcelo Regunaga; and Alejandro Mayoral, Economy Ministry foreign trade under secretary.

Argentina: Economist Views Labor Cost, Unemployment

PY3003030896 Buenos Aires CLARIN in Spanish 15 Mar 96 p 19

[Article by Nuria Susmel, Latin American Economic Research Foundation economist]

[FBIS Translated Text] For any company, the cost of labor includes salaries and all other costs associated with salaries, such as taxes and contributions on the payroll, provisions for dismissals, work accidents, and other costs associated with jobs. The level of labor cost is an essential variable at the time of deciding whether to hire anyone.

From the beginning of the Convertibility Plan until 1994 the real cost of labor (deflated by industrial prices) maintained a permanent upward trend, going from level 92 in March 1991 to 124 in February 1994. From that date on we had reductions in labor taxes (with ups and downs during 1995) that reduced labor costs significantly despite a certain increase in the nominal value of salaries during 1994. This, and the strong increase of commodity prices (raw materials) in international markets during 1994, which forced an increase in industrial prices, produced a 12 percent drop in real labor costs in the past two years. Despite all this, the cost of labor today is still 9 percent higher than its average level in 1991.

The unitary labor cost, that is, the labor cost per unit of production, had a different behavior. This indicator shows a deep drop during the Convertibility Plan. If we consider that the indicator had a level 100 in 1991, in January of this year it dropped to 83. This is added to a 43 percent increase in the productivity of the labor factor in industry.

Why, then, did the unemployment rate not drop despite the drop in labor costs in the past two years? Why did unemployment rise from an average rate of 9.6 percent in 1993 to an average rate of 17.2 percent in 1995?

Recession

Part of the explanation for the increase in the unemployment rate is that there was an increase in the labor supply. A total of 650,000 people entered the labor market and started looking for a job in urban areas between the end of 1993 and the end of 1995. This factor caused an increase of around 6 points in the unemployment rate. Then we had the disappearance of 260,000 jobs, which, added to the previous figure, makes a total of 900,000 new unemployed people looking for a job.

Here we must stress that a large percentage of the increase in unemployment was due to the recession that

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affected the Argentine economy in 1995 (it is estimated that the GDP dropped more than 3 percent), since plants tend to reduce their personnel in a recessive climate despite any drop in the cost of labor. It is also true that without a drop in the cost of labor, the loss of jobs would have been much higher.

The government policy of reducing labor costs — if it is perceived as permanent by entrepreneurs — will be a step in the right direction when the economy recovers. The point on permanent reductions in not a minor one. The trend to reduce contributions started in 1994, but the government reviewed the decision partially in 1995 in order to confront a fiscal deficit problem.

Greater Reductions

The fight against unemployment does not only need credible cost reductions, but also greater reductions. And it is here that there is still a long way to go. In order to have credible reductions, we must implement serious social security reforms and reduce service costs, which does not necessarily mean that the services will suffer. Many aspects should also change in labor regulations to improve the job picture, such as the law on unions, the law on collective negotiations, or norms in the area of dismissals in order to encourage cost reductions, either because they mean lower nominal costs or because they imply higher labor productivity.

If a labor reform is not implemented, the reduction of the unemployment rate, even if the economy is growing, will be very slow. In the past few years the GDP-employment elasticity has been 0.3 percent, that is, for each 1 percent increase in the GDP there is a 0.3 percent increase in employment. Therefore, if we suppose that the number of jobs offered grows at the same rate as the population and that the GDP grows at a rate of 7 percent per year, a period of 10 years will be necessary for the unemployment rate to drop to 10 percent.

It is clear, then, that reforms are indispensable; otherwise, Argentines will have to get used to living with high unemployment rates.

Argentina: Decree Creates Labor, Employment Council

PY3003022696 Buenos Aires LA NACION in Spanish 16 Mar 96 p 5

[Text of decree creating the National Labor and Employment Council signed by President Carlos Menem, Chief of Cabinet Eduardo Bauza, and Interior and Labor Minister Carlos Corach]

[FBIS Translated Text] Article 1. The National Labor and Employment Council is hereby created. This council will operate as a consultative organ under the office of the cabinet chief and will be directly linked to it.

Article 2. The National Labor and Employment Council will be made up of one president and 24 members, 12 of them representing the General Confederation of Labor [CGT] and 12 representing entrepreneurs from the different industries, all of them with their respective alternate members. The presidency will be exercised by the chief of cabinet, who will be assisted by the minister or secretary of the presidency of the area responsible for the subject being discussed by the council.

The council will approve its own internal regulations during its first meeting. National Labor and Employment Council members will be designated by cabinet chief resolutions, following proposals submitted by the CGT and entrepreneurs.

The work of members of the council created by this decree will be free of charge.

Article 3. The National Labor and Employment Council will be able to:

1. Elaborate on its own or at the request of the executive branch draft bills or decrees on issues pertaining to labor and employment.

2. Elaborate on its own or at the request of the executive branch reports on social questions and problems of interest for workers and/or employers.

3. Issue reports and opinions on matters submitted to it by the executive branch.

4. Issue opinions on questions put forth to them by the negotiating commissions of Labor-Manager Collective Bargaining Conventions.

5. Organize inter-professional collective bargaining conventions applicable, in general, to multiple branches, industries, or activities in the country.

6. Participate as a consultative organ in the elaboration of budget policies and appropriations for employment, workers' health care, social security contributions, training, and professional education.

7. Answer questions on matters put forth to it by the executive branch and/or ministries on issues pertaining to labor, employment, social security, unions, or any other issue with direct or indirect influence on work relations, employment, or social security, before those institutions exercise the attributions granted to them by the law.

8. Participate as a consultative organ in the National Council for Employment, Productivity, and Basic and Adjustable Minimum Wage.

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Article 4. This decree will be disseminated, published, sent to the National Directorate of Official Registry, and placed in the archives.

Argentina: Analysis of Reasons for High Interest Rates

PY2903144296 Buenos Aires CLARIN in Spanish 18 Mar 96 p 14

[FBIS Translated Text] The government internal squabbling last week was caused by two well-defined questions: 1) The decree to avoid a strike and to close UIA [Argentine Industrial Union] and CGT [General Confederation of Labor] positions; and 2) The intense government pressure on bankers to drop interest rates in order to encourage the much sought after economic recovery.

President Menem, first during cabinet meetings and then through public declarations, urged bankers to reduce the cost of credits for once and for all. Paradoxically, at the same time the government was borrowing money (credit in yens) at an 11.5 interest rate per year, which is almost 2.5 points higher than what the state paid for placing the Global Bonex at the end of January.

The Causes

What is the credit situation in Argentina? Why do we have to pay interest rates going from 12 percent to 32 percent per year in a country with an inflation rate close to 2 percent per year? In a survey conducted by CLARIN, bankers blamed this situation entirely on the "risk country" factor. Among the main problems they cited:

— A conflict-prone political scenario: The internal government infighting has increased and the "Argentina risk" remains high. Due to the latest figures on recession and unemployment, the group that opposes Economy Minister Domingo Cavallo has increased its pressures and the relation of forces prevailing during the first part of the convertibility plan is shaking.

— Lack of domestic savings: Argentina is a country with a very low rate of bank deposits, that is, the rate of deposits compared to the total GDP is very low. This is why it is rare to find money offers for long-term projects.

— Savers' lack of trust: Depositors trust only in short-term deposits. The average is 60 days. Savers recall the Bonex crisis of 1989 and continue accumulating their savings abroad or in safety deposit boxes.

— Low rate of economic monetization: The proportion reaches only 20 percent of the GDP.

— Difficulties to obtain funds abroad: Large companies do not have problems to take loans abroad, but small and medium-sized companies, which constitute the bases for a solid and sustained growth, are still far from meeting the requirements of international credit lines.

— Difficulties in the judicial system: The cost of recovering an unpaid loan through the courts is high. "Justice is slow and expensive," bankers complain.

— "Distorting" Taxes. Taxes on gross incomes (4.5 percent) and Bank Social Services contributions (2 percent) are charged on credits directly.

— Security rules imposed by the Central Bank: Banks must fulfill (as in other countries) minimum liquidity requirements, technical compulsory deposits, and diverse provisions for the granting of credits.

After listing the elements that contribute to make credits more expensive, bankers said they do not believe that interest rates can drop significantly in an economy that continues without showing signs of recovery. They also admit that the interest rate downtrend of the past few months only benefited the most solid economic groups.

President Menem told bankers, in the midst of a week full of pressures, that contracting credit at 16 percent per year "practically means taking a mortgage for your entire life." According to Menem, interest rates should not be higher than 10 percent. But treasury bonds currently pay more than 11 percent and the state is the main borrower in the country. This value, therefore, becomes an insurmountable minimum to which other components are added.

In fact, at the time of finding someone to blame for the cost of money everybody "blames the other."

"Me? Not me sir," Economy Ministry officials say when they are called to face the situation. Cavallo's people swear that the recovery is being delayed because entrepreneurs and consumers are unable to obtain credit at current interest rates.

"Me? Not me sir," bankers repeat in the city's commercial area, returning the ball to the government's court. "If we had more political stability we could get lower interest rates at longer terms for housing and Pymes [small- and medium-sized enterprises], the hardest hit areas.

The worst part of it all is that while both groups blame each other the people continues to lose. People are cornered, without fuel, and with a reality that gets more and more complicated as days go by.

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Bolivia

Bolivia: MIR Deputy Critical of U.S. Envoy's Remarks

PY3003010196 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 29 Mar 96

[FBIS Translated Text] Deputy Guido Riveros, a Movement of the Revolutionary Left [MIR] deputy, said today that U.S. Ambassador Curtis Kamman cannot decide for the Bolivians.

Riveros said this in response to remarks made by the U.S. diplomat, who said that capitalization of state enterprises in Bolivia is an irreversible process.

Riveros stated that Mr. Kamman has absolutely nothing to say regarding what we Bolivians must do, but he did maintain that the ambassador could express his personal opinion as long as it does not compromise the Bolivian people's sentiments.

[Begin Riveros recording] Kamman is the ambassador of the United States and, taking into account everything pertaining to respect, I respect Mr. Kamman very much, but he has nothing to say. He [?has] to give an opinion, but his opinion is a personal one, and it does not involve the Bolivians. In other words, this topic of capitalization of state enterprises is a problem that pertains to the country; it is something that is of national interest for us. [end recording]

Within this framework, Riveros added that foreign opinions have absolutely nothing to do with Bolivia's internal problems.

Brazil

Brazil: Work by Government 'Bulldozers' Analyzed

PY2903151096 Rio de Janeiro O GLOBO in Portuguese 22 Mar 96 p 3

[FBIS Translated Text] In an operation headed by President Fernando Henrique Cardoso, which involved intense negotiations with governors and congressmen in the last 48 hours, the administration used all of its firepower and succeeded in modifying an unfavorable situation in Congress. As a result, it had a day full of victories: The Chamber of Deputies approved in the first round of votes the social security reform and the government succeeded in annihilating the efforts certain senators had been making for several days to establish in the Senate a Congressional Investigating Committee to look into the banking system. The administration's bulldozers [rolo compressor] functioned thanks to a strategy that ensured the Brazilian Progressive Party [PPB] support in exchange for the promise of a ministry in one or two months. The strategy also succeeded in splitting the Brazilian Democratic Movement Party [PMDB] by isolating two of the party's main leaders: Senate President Jose Sarney and PMDB President Deputy Paes de Andrade (Ceara).

Sao Paulo [SP] Deputy Jose Anibal, leader of the Brazilian Social Democracy Party [PSDB] at the Chamber, said gladly: "We have done a thorough job."

In addition to indicating that the reforms will continue being debated and approved, the first effect of the favorable congressional scores will be the reorganization of the government-supporting bases in Congress, with the possibility of a cabinet reshuffle that President Cardoso interlocutors admitted as possible on 21 March. The PPB, and the PMDB have become stronger as a result of the votings and are now leading the group that is exerting pressure for the approval of a cabinet reshuffle. The PMDB — which controls the Ministries of Justice and Transportation, as well as the Strategic Affairs Secretariat — feels entitled to expand its space within the Cardoso administration. In the next few days, the PMDB's plea will be taken to the president.

Deputy Jurandir Paixao (PMDB-SP) said: "Leader Michel Temer plans to strengthen the party and accredit it as the administration's main ally. We have worked for that and will to continue to do so."

Michel Temer's victory has set off this work. Temer, who is rapporteur for the social security reform, has faced the resistence of PMDB President Paes de Andrade, who worked against the approval of the amendment and has been insisting in transforming the PMDB into a member of the opposition. Temer has won and has consolidated the PMDB bloc that wanted to support the administration. Now, the group wants to receive dividends for the loyalty it has shown to President Cardoso.

Bahia Deputy Geddel Vieira Lima, PMDB vice leader at the Chamber of Deputies, summed up: "This is the end of disguised positions. We are indeed supporting the administration."

Temer, however, did not win the battle alone. He was assisted by the other government-supporting parties which, allied to Planalto Palace, have worked with him, particularly in order to speed up voting and thus reduce the importance of the PMDB convention scheduled for 24 March.

Paes de Andrade planned to transform the convention into a great party of the opposition, during which the social security reform, the reelection proposal, and the Rio Doce Valley privatization would be rejected. After the approval of the amendment, prospects are that the convention will be a failure.

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Deputy Anibal, PSDB leader at the Chamber, said: "The PMDB convention has been doomed to failure."

In a luncheon celebrating the approval of the amendment, there was an euphoric atmosphere among the PMDB deputies. Deputy Eliseu Padilha, coordinator of the Rio Grande do Sul bloc of the PMDB, cheerfully welcomed the possibility of reorganizing the government-supporting bloc at Congress, and summarized the expectations about the possibility of expanding the PMDB space within the administration:

"The PMDB has become accredited through this voting."

In the PPB, there was clear hope of obtaining a ministry, although the PPB leaders deny that they are exerting any pressure on the government for that.

"We have a soccer team with 11 players as good as Pele," Sao Paulo Mayor Paulo Maluf said on 21 March, referring to the cadres his party has to offer to the Federal Government.

Despite the euphoria, Planalto Palace took the trouble of rejecting charges about alleged bargaining to obtain votes to annihilate the CPI on banks. Presidency Spokesman Sergio Amaral said that the enterprises owed by PMDB Senators Jader Barbalho (Para) and Gilberto Miranda (Amazonas) are being investigated by the Federal Revenue Service, although this has no relation with their opposing the administration's reforms.

The spokesman added that President Cardoso deems legitimate that the PPB have a ministry, but asserted that there are no expectations of a possible cabinet reshuffle. The administration does not deny, however, that the debts of the Sao Paulo municipality are being transferred to the Federal Government and asserts that this is not linked to the support the Sao Paulo mayor has given to the Federal Government.

Amaral added, however, that Miguel Navarreti's appointment as director of the National Department of Mineral Production is not a result of his ties with the group of Goias Senator Iris Rezende, but of his good curriculum vitae as an engineer.

The Power's Roller Coaster

Here are the congressmen whose prestige is going up:

Deputy Luis Eduardo Magalhaes — Publicly praised by President Fernando Henrique Cardoso for the way he conducted debates on the social security reform at the Chamber of Deputies. He recruited forces, used his political influence over the government-supporting base at the Congress, and dismantled the maneuvers the opposition was conducting on the floor of the Chamber.

Deputy Michel Temer — He joined the life or death game when he became rapporteur of the proposal for a social security reform. He has become the great winner inside and outside the PMDB. He is the strongest candidate to succeed Luis Eduardo Magalhaes at the Presidency of the Chamber of Deputies.

Mayor Paulo Maluf — He reasserted the importance of the PPB within the government-supporting base; expanded the political space of the party, which will probably head one of President Cardoso's ministries; and is still negotiating the possibility of rolling on the Sao Paulo Municipality's debt.

Here are the congressmen whose prestige is going down:

PMDB Senator Jose Sarney — President of the Senate, who broke with President Cardoso and was defeated in a confrontation with the administration, when he had to witness the annihilation of the CPI on banks. Sarney thus showed that he does not have the support of his own party's majority.

Deputy Paes de Andrade — He tried to estrange the PMDB from the administration by helping in Sarney's political maneuvers. Having no political strength and heading a split party, he will have to give up the possibility of succeeding Luis Eduardo Magalhaes in the Presidency of the Chamber of Deputies and support Michel Temer's candidacy.

Senator Jader Barbalho — As the PMDB leader, he started by defending the CPI and comprising Sarney's troop. After a meeting at Planalto Palace, when he was shown the financial losses the Para Bank had during his administration as Para governor, he decided to review his position.

Brazil: Implications of Proer Bank Rescue Plan Explained

PY2903162096 Rio de Janeiro JORNAL DO BRASIL in Portuguese 26 Mar 96 p 14

[Article by Claudia Safatle]

[FBIS Translated Text] Brasilia — How much does the Proer [Program to Encourage the Reorganization and Strengthening of the National Financial System] cost the government? The Proer has generated a great controversy, partly because of the government's incapability to explain where the money will come from. The Nacional Bank, whose healthy part has already been incorporated into Unibanco, so far received 5.898 billion reals, R, from the Proer.

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In the few explanations the government has given, it said the money came from the banks themselves, from legal reserves that banks are obliged to keep in the Central Bank. These legal bank reserves currently amount to nearly R40 billion. This, however, is imprecise information. Since the Central Bank cannot invent resources, the Proer raises money either by issuing money or titles.

In either case, it is necessary to know if the financing for the Nacional Bank represented increased liquidity in the economy and the cost it represented for the Treasury. If by increasing the money supply the Central Bank was forced to reduce the liquidity by issuing Central Bank Bonds (BBC), the debt in titles would have increased. But this increase would then be annulled by an active Central Bank operation, that is, by offering a credit that must be repaid.

If the Proer only replaced a financial liquidity operation to assist the bank, its effect on the net public debt should be nil. What is the cost of the Proer for the government? Experts explain that, if the credit is totally repaid, the cost will be the difference between the lending interest rate of the Central Bank and those charged by the Proer. That differential, which is a small part of the R5.89 billion credit, could represent a fiscal cost that must be absorbed by the federal government.

Just in case the credit is not repaid, the Central Bank has taken Nacional Bank assets as a guarantee. The Central Bank will execute these guarantees to recover its money. If the sale of these guarantees is not enough to cover the credit to the Nacional Bank, the Treasury will have to stand the loss.

Brazil: Accusation of 'Setup' in Social Security Reform

PY3003020896 Sao Paulo AGENCIA ESTADO in Portuguese 1846 GMT 28 Mar 96

[FBIS Translated Text] Brasilia, 28 Mar (AE) — Opposition parties have just released a note in the Chamber of Deputies accusing the Cardoso administration of having cemented an agreement with private banks and insurance companies, and of using its powers of patronage during the negotiation of the social security reform. The note — which was signed by the leaders of the PT [Workers Party], PDT [Democratic Labor Party], PCB [Brazilian Communist Party], and PSB [Brazilian Socialist Party] — states: "In the vote on the social security reform, the incumbent administration succumbed to the policy of you scratch my back and I'll scratch yours, thus reestablishing practices absolutely pernicious to the interests of our country." The note further states: "We are not going to be accomplices in a setup which hides shady deals and deceives public opinion." The representatives of the four parties contend that Michel Temer (PMDB-SP) [Brazilian Democratic Movement Party-Sao Paulo], rapporteur of the bill to reform the social security system, only gave them an answer to their claims when the meeting in which the new text of the bill would be renegotiated was already under way. The leaders of the aforementioned parties charge that the members of the ruling coalition attempted to change the rules of the game after the vote on the reform had already begun by putting together a draft resolution to reduce the number of articles of the rapporteur's report that are voted on separately (DVS's), something which each political party is entitled to do. The congressmen argue: "This not only violates the law, but also constitutes a new form of authoritarianism, suppressing congressional powers, in a clear 'Fujimorization' process of Brazilian politics."

Brazil: Roundup of Economic Reports Through 29 Mar

PY3003025096

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 29 March:

Basic Leading Indicators

Market Price Index Declines in March — The Getulio Vargas Foundation, FGV, has reported that the General Market Price Index, IGP-M, for the month of March stood at 0.40 percent and was lower than the 0.97 percent registered in February. FGV experts have also reported that the level of employment will go up and that there are no reasons for any worsening of the economic situation. (Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 29 Mar 96)

Financial Operations

Telebras Profits Rise in 1995 — A boost in demand for telecommunications services made it possible for the Brazilian Telecommunications, Inc., Telebras, to close 1995 with a net profit of 809.5 million reals, R, which was 18.3 percent higher than that obtained in 1994. Telebras' gross operational revenues grew by 9.2 percent in 1995, totaling R11.4 billion, and its net worth jumped from R22.3 billion to R24.2 billion. Petrobras' revenues from cellular telephone services climbed from R467.8 million in 1994 to R1.41 billion in 1995. In 1995, Telebras' income from cellular phone services accounted for 12 percent of its overall revenues, compared to 4.5 percent in 1994. (Sao Paulo GAZETA MERCANTIL in Portuguese 26 Mar 96 p A1)

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Telesp Expands Lines in Campinas — Carlos Eduardo Sampaio Doria, president of Sao Paulo Telecommunications, Telesp, yesterday announced that 133,000 new telephone lines will be set up in Campinas, Sao Paulo, by the end of 1996. Sampaio said that the expansion project, which entails investments totaling R170 million, also includes the installation of 3,700 new public telephone booths, and the 100 percent digitalization of the city's telephone system. Sampaio added that Telesp will award contracts to private companies, thorugh public bids, to implement the various stages of the project. He noted that this will be an unprecedented procedure which, if successful, will be used to expand the telephone system in Sao Paulo and other cities of the interior of the state. Telesp will retain, however, the right to market the telephone lines to customers. (Sao Paulo O ESTADO DE SAO PAULO 28 Mar 96 p C4)

First Dam Built Under Franchise in Minas — A group consisting of six private companies is building the Igarapava Hydroelectric Plant in the Minas Gerais Triangle. This is the first plant being built under a concession system. Construction started in November and the civil engineering portion of the project will cost R72 million. The overall cost of the project has been estimated at R250 million. The course of the Grande River will be diverted in April and it is now expected that the project will be completed in 34 months rather than in 38 months, as had initially been estimated. Carlos Eloy Guimaraes, president of the Minas Gerais Electric Powerplants, Inc., said: "We had become accustomed to never-ending projects that were frequently suspended due to a lack of funds. The Igarapava project is different because all parties involved are strictly complying with its timetable." (Sao Paulo GAZETA MERCANTIL in Portuguese 22 Mar 96 p C7)

Eletrobras' Profits Decline — Brazilian Electric Power Company, Inc., Eletrobras, closed 1995 with a net profit totaling R756.9 million, which was 60.6 percent lower than the figure for 1994, when profits amounted to R1.922 billion. In April, the Eletrobras president will recommend to the council of administration that R238 million in dividends be distributed among its shareholders; that is, R4.44 per lot of 1,000 shares. Eletrobras President Antonio Imbassahy has announced that Eletrobras will issue $250 million in bonds abroad during the first half of 1996. In 1995, Eletrobras raised $300 million through its Eurobonds, $250 million of which remains in its coffers. Eletrobras raised $150 million through bonds in 1994. (Sao Paulo GAZETA MERCANTIL in Portuguese 26 Mar 96 p C4)

Airline Reports Losses in 1995 — Rio Grande do Sul Airline, Varig, yesterday reported losses totaling R6.8 million in 1995 and noted that its revenues declined by 9 percent. The loss per share stood at R0.11, compared to a net revenue of R3.38 per share obtained in 1994, when profits totaled R208.9 million. Varig announced that its revenues dropped from R3.46 billion to R3.147 billion, and that its net worth declined from R3.457 billion in 1994 to R3.19 billion in 1995. In its efforts to cut costs, Varig is planning to close some offices both at home and abroad and to reduce its fleet of planes. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Mar 96 p 19)

Telebras To Invest R7 Billion — Fernando Xavier Ferreira, president of Brazilian Telecommunications, Inc., Telebras, has stated in Sao Paulo that Telebras plans to invest R7 billion in 1996, which is 55 percent more than the R4.5 billion it invested in 1995. Ferreira added that priority will be assigned to expanding cellular telephone lines, which will increase from 1.6 million lines to 4.5 million lines by the end of 1996. He noted that emphasis will also be placed on expanding the fiber optics system and the installation of high speed networks. To fund these investments, Telebras will issue long-term papers on several foreign markets to raise $1.5 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 1508 GMT 28 Mar 96)

Real Estate Debenture Bonds — Issuance of real estate debenture bonds has risen from practically zero in 1993 to $200 million in 1995. The 11 real estate funds created thus far have already raised R340 million. High interest rates and shortage of mortgage loans have caused these bonds to grow significantly in recent years. (Sao Paulo GAZETA MERCANTIL in Portuguese 25 Mar 96 p A1)

Pension Funds Growth Pace Declines — Closed pension funds, the ones sponsored by companies, grew at a sharply lower pace in 1995. Their assets grew by 7.2 percent, the lowest growth rate since 1991. The decline stemmed from slipping prices of shares on stock markets, where pensions funds have invested heavily. Of a total of $59.055 billion managed by pension funds in 1995, 29.5 percent was invested in shares. (Sao Paulo GAZETA MERCANTIIL in Portuguese 22-24 Mar 96 p B2)

Survey Shows Company Debts Rising — A study conducted by the Latin American Financial and Invesment Services, LAFIS, on the balance sheets of 46 Brazilian companies — most of them industrial companies — shows that the debt ratio of these companies based on their net worth has increased by 6.04 percent from December 1994 to December 1995, rising from 52.4 percent to 58.5 percent. A significant aspect is that long-term debts have increased by 3.41 percent, while short-

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term debts took the opposite trend. The rise in long-term debts indicates that these companies are seeking to modernize and to expand the Brazilian industrial structure. Food, beverage, and cigarette companies are the ones contracting larger debts. The shift from short-term to long-term debts was more glaring among iron and steel companies, with long-term debts rising from 45.5 to 65.5 percent. (Sao Paulo GAZETA MERCANTIL in Portuguese 26 Mar 96 p A1)

Survey on Companies' Performance — The Information Center of GAZETA MERCANTIL has surveyed the balance sheets of 66 open companies and found that 37 of them — 56 percent — had lower profits in 1995, and that 16 percent of them had experienced losses during the year. Only four out of eight companies reported in the red in 1994 were able to recover in 1995. Adverse factors blamed for the poor results of 1995 were government measures to deter consumption and high interest rates. (Sao Paulo GAZETA MERCANTIL in Portuguese 21 Mar 96 Special Section p 2)

Fiscal, Monetary Issues

Foreign Banks To Manage Reserves — Gustavo Franco, director of the Central Bank — BC — Foreign Department, announced on 26 March that, within 60 days, the BC will hire foreign banks to manage the Brazilian foreign reserves, which today stand at $52 billion. Franco made the announcement in Buenos Aires, where he is attending the 37th annual meeting of the Inter-American Development Bank. In recent months, 70 percent of the above reserves have been transferred to the Bank of International Settlements based in Switzerland. Franco said these transfers yielded a 1 percent profit; that is, $360 million. He added that the services of foreign banks are expected to result in higher profits. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Mar 96 p 17)

Foreigners Authorized To Buy BB Shares — President Fernando Henrique Cardoso has signed a decree authorizing foreign investors to increase their capital shares in the Bank of Brazil, BB. The authorization, which is a measure of exception based on a constitutional provision, is part of the package of measures adopted by the Brazilian Government to rescue the BB by injecting R8 billion into the bank. Today, 50 leading foreign investors account for 12 percent of the BB capital stocks. Although the Constitution prohibits foreigners from pruchasing shares in Brazilian banks, they may do so if authorized by the Brazilian Government. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 22 Mar 96 p 15)

Savings Accounts To Yield Higher Interest — The National Monetary Council has approved a modification for the reducer of the Reference Interest Rate. As a result, passbook savings will yield 1.9 percent more per year. The new reducer will only go into effect on 1 July, when it will go from 1.013 to 1.025. In August it will go to 1.12 and in September to 1.15. The Council also approved an increase from 70,000 to 90,000 reals in the maximum amount the Housing System can lend to those who want to purchase homes. (Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 29 Mar 96)

Interest on Mandatory Deposits — The BC had to pay R5.2 billion in interest on the R42.2 billion mandatory deposits made by financial institutions in the past 12 months. A senior BC official said: "This is a cost the BC has to pay to guarantee the stability of the Real Plan." The use of R5.8989 billion from the mandatory deposits to fund the Proer, Program To Encourage the Reorganization and Strengthening of the National Financial System, has been instrumental in reducing the interest to be paid on the mandatory deposits. The BC collects nearly 11.78 percent annually plus the Reference Interest Rate, TR, on the loan granted to the Nacional Bank under the Proer program. (Sao Paulo GAZETA MERCANTIL in Portuguese 18 Mar 96 p B7)

Sale of Foreign Debt Bonds Canceled — Ricardo Sergio de Oliveira, director of the BB International Department, has announced that the BB decided not to sell $800 million in Brazilian foreign debt bonds on the international market, of which $560 million would have consisted of Interest Due and Unpaid Bonds, IDU's. An earlier announcement of the sale of IDU's stirred the Brazilian foreign debt market, with IDU's rates plunging sharply on the London market. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 24 Mar 96 Section 2 p 6)

Privatization

Privatization Dates Announced — The National Privatization Council has again postponed the auctioning date of Light Power Services, Inc. of Rio de Janeiro. The auction that was scheduled to take place on 19 April, was postponed for 21 May. Besides this, the National Privatization Council, which held a meeting in Planalto Palace on 28 March, has decided to accept 30 percent financing in the sale of the company, through privatization currencies. Planning Minister Jose Serra said these measures clarify the uncertainties regarding the privatization program. The council also established that the Center-East federal railway line, which mainly covers the states of Bahia, Minas Gerais, and Espirito Santo, will be auctioned on 14 June. (Brasilia Voz do Brasil Network in Portuguese 2200 GMT 28 Mar 96)

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Privatized Company Pays Back Taxes — The Sao Paulo Iron and Steel Company, Cosipa, which was privatized on 20 August 1993, not only has put an end to a long history of operational losses, but it is now also prepared to pay overdue taxes to the Treasury. At the time of its privatization, Cosipa had an accrued tax debt of $670 million, including both federal and state taxes. Cosipa President Marcus Jurandir Tambasco said that, prior to its privatization, Cosipa had paid only a total of $30 million in taxes from 1990 to 1992. This amount represents only 10 percent of the total of $351.4 million paid by Cosipa to the public coffers in 1995. Cosipa executives reported that from August 1993 to February 1996, it has paid $692.7 million to the public coffers. (Sao Paulo GAZETA MERCANTIL in Portuguese 25 Mar 96 p A1)

CVRD Splits Stocks — The Rio Doce Valley Company, CVRD, informed the Securities and Exchange Commission, CVM, on 25 March that it is implementing a stock split operation to make the prices of its stocks in Brazil equivalent to those on the international market. Thus, the CVRD will be prepared to offer its stocks worldwide when it is privatized. Earlier, a minimum lot of CVRD preferred stocks was worth R160, while an American Depositary Receipt, ADR, was worth 250 stocks. Now, following the stock split operation, a CVRD stock will be worth R20 and each ADR will be worth one stock. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 26 Mar 96 p 15)

Trade Issues

Caraiba Imports Chilean Copper — Caraiba Metals is the leading Brazilian importer of items manufactured in Chile. Caraiba imports copper concentrate to supply its Dias D'Avila metalworking plant in Bahia State. In 1995, Caraiba's imports of copper concentrate amounted to $220.1 million, which accounts for 21 percent of the overall Brazilian imports from Chile, and which was 64 percent higher than that of 1994. Chilean copper exports to Brazil totaled $495.4 million in 1995. Overall Chilean exports to Brazil totaled $1.092 billion in 1995. Nearly 62 percent of the total of 400,000 metric tons of copper concentrate imported by Caraiba in 1995 came from Chile, with the Chilean Copper Corporation alone supplying 100,000 metric tons. (Sao Paulo GAZETA MERCANTIL in Portuguese 26 Mar 96 Report Section p 1)

Chile

Chile: Frei Says Entry to Mercosur 'Irreversible Decision'

PY2903144496 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 29 Mar 96

[FBIS Translated Text] Upon his return to Chile last night, President Eduardo Frei reasserted that Chile's entry to Mercosur is an irreversible decision that has already been made.

President Frei, who returned from his visit to Brazil, referred to the subject:

[Begin Frei recording] What we clearly maintain is that no type of pressure is going to make the government change its mind about something that has already been decided. Chile is going to join Mercosur.

We also clearly maintain, as I have said before, that we are not going to abandon any sector that needs retooling. With or without regional agreements, with our without an agreement with Mercosur there are sectors, even industrial sectors, facing difficulties. This is why we have carried out complex and difficult negotiations that take time, that have its own pace, and are gradual. When we talk about 18 years we are talking about a relatively long period of time to carry out this process. [end recording]

Colombia

Colombia: Alleged Chief of Cartel's Finances Arrested

PA3003011196 Mexico City NOTIMEX in Spanish 2037 GMT 29 Mar 96

[FBIS Translated Text] Santa Fe de Bogota, 29 Mar (NOTIMEX) — Colombian police arrested the alleged chief of the Cali cartel's financial network, Luis Alfonso Maquillon Amaya, during an operation carried out today in the northern part of this capital.

A police spokesman said Maquillon, whom the Prosecutor General's Office of the Republic has sought for illegal enrichment and acting as a front man, is a relative of alleged Cali cartel leaders Gilberto and Miguel Rodriguez Orejuela, who are in prison.

Maquillon's wife, Rafaela Rodriguez, was also arrested in January and sent to a local prison, where she awaits trial for the same charges.

According to the authorities, the alleged member of the Cali cartel leadership has handled businesses for his brothers-in-law ever since they were arrested in June

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and August 1995 by the Search Bloc, a mixed Army and police force, in the country's southwest.

An official communique has stated that Maquillon was located in a luxurious apartment in northern Santa Fe de Bogota and led to a prison in the capital.

The Prosecutor General's Office of the Republic has accused him of lending his name to this criminal organization for the purchase of enterprises and houses in Cali, approximately 530 km southwest of the Colombian capital.

The police announced that three men and a woman were arrested during the procedure, which concluded with the arrest of the drug trafficking group's chief of finance. They will remain under arrest until their judicial background is established.

Maquillon is the fourth member of the alleged Cali cartel leaders' family to be arrested within the offensive launched a year ago by the Colombian Government against the drug mafias.

The drug trafficker and his wife have been sought by local authorities since September when the Prosecutor General's Office of the Republic ordered his arrest based on charges of belonging to the Rodriguez Orejuela brothers' network of front men (who lend their names).

Documents seized by security organizations state that Maquillon appears as legal representative of the Roma Construction Company in Cali, which is used as a facade to launder drug money.

Colombia: Cartel Capo Ortiz Surrenders to Authorities

PA2903225696 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2120 GMT 29 Mar 96

[Report by Carlos Gomez Herrera]

[FBIS Translated Text] The authorities have just confirmed that one of the Cali cartel capos, the successor of the Rodriguez Orejuela brothers, has surrendered to judicial officials. The National Police has officially confirmed that Cuchilla has turned himself in to the authorities a few hours ago. Here is Carlos Gomez Herrera with the information.

[Gomez] Caracol has just learned the information here at the National Police Directorate. The first report, which is a bit sketchy, states that Juan Carlos Ortiz, alias Cuchilla, turned himself in in the city of Cali. Judging from what we know, it is presumed that this surrender occurred at the Public Prosecutor's Office due to the persecution by the National Police.

Incidentally, General Luis Enrique Montenegro [National Police deputy director] and National Police Director General Rosso Jose Serrano Cadena had just announced the results of the operations carried out by more than 1,000 men, particularly in Atlantico and Magdalena Departments, against Carli cartel members or front men. These include Juan Carlos Ortiz, alias Cuchilla, Helmer Pacho Herrera, Gustavo Adolfo Rey Soto, and Julio [word indistinct], Julio Nesser, and Alberto Orlandez Gamboa.

The operations carried out by the police and the pressure exerted by the authorities have prompted Juan Carlos Ortiz, alias Cuchilla, to turn himself in to the authorities in Cali. The National Police Directorate will give more details later although the Search Bloc in Cali already has some information about the Cali cartel member's surrender.

Colombia: Arrested Cartel Capo: 'I Am No Terrorist'

PA3003003996 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 29 Mar 96

[Report by Fernando Mosquera Gallego from Cali, Valle del Cauca Department; from the "Lastest News" newscast]

[FBIS Translated Text] Juan Carlos Ortiz Escobar, alias Cuchilla, was transferred minutes ago from the headquarters of the regional Prosecutor General's Office to Villahermosa Prison. He has obviously rejected charges that he is a terrorist. Ortiz decided to surrender to the Regional Prosecutor General's Office today in the wake of 50 raids, announced Benjamin Nunez Nunez, commander of the Search Bloc of the National Police.

Ortiz Escobar has made the following statements:

[Begin recording] [Ortiz] I want to prove that I am no terrorist as the media have portrayed me.

[Unidentified reporter] People say.... [pauses] that is, the Prosecutor General's Office in particular has linked you to Peterson's murder. What was your role in this regard? What do you have to say?

[Ortiz] Absolutely nothing, and this point is what I came to clarify with the media. I want to prove to Colombia that I am no terrorist.

[Reporter] Is it true that you and Juan Carlos Ramirez are part of a new generation of drug traffickers as the Prosecutor General's Office and the police have claimed?

[Ortiz] That has yet to be shown. It is untrue. [end recording]

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Those were statements by Juan Carlos Ortiz Escobar to a regional television station in western Cali moments before surrendering to justice. He approached the Prosecutor's Office and was picked up by a vehicle of the Regional Prosecutor's Office under tight security measures.

Ortiz is being escorted by agents of the Prosecutor's Office, the [word indistinct], and the National Police from the headquarters of the Prosecutor's Office in downtown Cali to Villahermosa Prison, in the eastern area of the capital of Valle del Cauca Department.

Colombia: Italian Engineer Abducted by Guerrillas

LD3003113196 Rome RAI Televideo Teletext in Italian 1058 GMT 30 Mar 96

[FBIS Translated Text] Renato Moretta, an engineer belonging to a Milanese building company, has been abducted by a group of guerrillas in the Bolivar region of northern Colombia.

According to investigators, the abduction appears to be for purposes of extortion. There has been no contact with the kidnappers.

Moretta, 64, was engaged in the construction of a bridge over the River Magdalena. The kidnappers are believed to be members of the "Colombian Armed Revolutionary Force." During the kidnapping there is said to have been shooting, in which six agents were injured.

Colombia: Defense Minister Sends Letter to U.S. Official

PA0104012096 Santa Fe de Bogota EL TIEMPO in Spanish 31 Mar 96

[Received via Internet]

[FBIS Translated Text] Robert S. Gelbard, U.S. assistant secretary of state for international narcotics and law enforcement affairs, had said that the police are the only organization fighting the drug problem in Colombia.

In a letter dated 22 March, Defense Minister Juan Carlos Esguerra underlined for Gelbard that there are not two "branches" in the Defense Ministry and that the military forces are just as committed to fighting drug trafficking as the National Police.

Esguerra thus refuted the remarks that Gelbard made in a meeting of a Congress subcommittee on 7 March, saying that the Colombian police were fighting drug trafficking but not the Armed Forces.

In the letter, Esguerra explained the police and Army functions in the counterdrug trafficking struggle and the range of actions of each of them. Esguerra reminded Gelbard of the relationship between subversion and drug trafficking in Colombia and of the Defense Ministry's need for more U.S. Government aid in the form of planes and helicopters.

Esguerra told EL TIEMPO that, in these remarks to Congress, Gelbard also said that so far he had received no reply from the Colombian Defense Ministry on his recommendations for the counterdrug trafficking struggle.

Esguerra says this is not true, that he had written Gelbard a letter on 1 December referring to their November 1995 interview, a letter that Gelbard has not answered.

Regarding the most recent letter, which was reported yesterday, Esguerra said Gelbard does know about it, because this is what U.S. Ambassador Miles Frechette and the Colombian Embassy in the United States had told Esguerra.

This is the text of the letter.

"Mr. Robert Gelbard, U.S. assistant secretary of state for international narcotics and law enforcement affairs.

"Department of State, Washington D.C.

"Mr. Secretary: Through our embassy in Washington, today I received a report on a hearing of the Western Hemisphere Subcommittee of the House of Representatives' International Relations Committee on 7 March.

"I am addressing myself to you regarding two of your remarks on that occasion, remarks which, with due respect, I cannot overlook as defense minister.

"In the first of those remarks, you said you had not received a note of mine on the subjects discussed in our 16 November 1995 interview in your office, particularly our possibilities and need for air support in the form of helicopters for the counterdrug trafficking struggle.

"Such a remark is not true to reality because, as you will recall, on my return to Santa Fe de Bogota on 1 December, I addressed myself to you in writing, thanking you for your attention and again presenting to you our situation and concern over the subjects discussed at that meeting. I am still waiting for a reply to this note.

"As you will recall, during our interview I also presented to you our urgent need of aid to replace the planes that spray fields and the support helicopters that we have lost. I also presented the need for additional helicopters to reinforce the police. I mentioned our serious concern over the closer and closer ties between rebels and drug traffickers, as well as the rebels' openly devoting themselves to various forms and variations of the drug business.

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"It is not true that the Colombian Armed Forces have refused to lend the Colombian Air Force's Black Hawk helicopters — after all there are only 10 of them, and two of these have been under repair in the United States for a long time — to fight narcotics. Quite the contrary, the helicopters have been fully committed to this struggle and the internal conflict you are familiar with. It is our duty to preserve the Colombian people's order, peace, and security, all the more so if we take into consideration that, as I pointed out above, it is no longer possible to establish a dichotomy between drug trafficking and subversion, and we can very well use the word cartels when we refer to the various gangs and rebellious groups that directly protect, not only drug traffickers, installations, and infrastructure, but the farming, processing, and marketing — at least locally — of narcotics.

"Your second remark, which I must refute, deals with the presupposed existence of two "branches" of the Defense Ministry, one of which, the police, is fully committed to the struggle against drugs and the other, the Military Forces, you regard as detached and removed from the task and as continuing to not assist in the struggle. This is not true. The Colombian Military Forces — all of them, including the Army, the Navy, and the Air Force, each within its own legal framework, action, and functions — are all committed to this struggle. The Military Armed Forces are waging this struggle by chasing, capturing, and detaining ships in our territorial sea and by constantly disabling planes that have landed on clandestine landing strips after the planes had penetrated our airspace; ground forces support the police's cocaine field spraying efforts by preventing or averting attacks against the police and by searching, chasing, and fighting subversive columns that wreak havoc in faraway corners of the country and by permanently supporting the police and prosecutors in charge of conducting investigations.

"Mr. Assistant Secretary, all of these tasks are accomplished in the course of clear and unequivocal government policies, tasks that the public forces (Military Forces and National Police) carry out as one man at a very high cost in human lives, permanent disability, and material losses in the country.

"This will continue, because we are in the presence of higher duties to which we are irrevocably committed and which we must fulfill for the sake of the community of nations, our country, fellow citizens, our children and their future, our own consciences, and our honor. You can rest assured of that!"

Colombia: Editorial Condemns U.S. Envoy's 'Interference'

PA2903195296 Medellin EL COLOMBIANO in Spanish 27 Mar 96 p A5

[Editorial: "The Negation of Diplomacy"]

[FBIS Translated Text] Diplomacy, just as in the fields of science and foreign relations, imposes upon those who exercise it not only outstanding personal and intellectual qualities, but also discretion, which is perhaps the most important of all attributes. This quality, however, has not been U.S. Ambassador in Colombia Myles Frechette's most noteworthy feature.

In most of the speeches made before our country's media, Mr. Frechette has proven to be controversial. Evident in these speeches have been his attempts to take advantage of our complex national reality, the institutional crisis, and of the Colombian Government's patent weakness. He has instead taken sides and violated the impartial and unbiased attitude he should be observing while carrying out his duties.

This past Monday, in statements published by EL TIEMPO newspaper's economic magazine PORTFOLIO, the ambassador launched a verbal attack against Congress and the Accusations Committee, against the country's political class and its business sector, as well as against the justice system.

Of course, there was nothing new in Mr. Frechette's assessments. These have been daily topics of controversy in Colombia. In addition, the disclosures represent nothing new to anyone. In most cases, it is even possible to agree with many of the things he points out. Unacceptable, however, is for a foreign diplomatic official to attempt to not only point out the shortcomings and mistakes in our democracy and institutions, but also to disqualify these institutions in a disrespectful and insolent manner.

The pan-American principle of noninterference and free determination implies each country's prerogative to invoke their own sovereignty to debate and solve their domestic problems and, therefore, reject all types of foreign interference such as the ones that take place during Ambassador Frechette's public appearances.

Of course, it would be a mistake for us to urge members of diplomatic missions accredited in Colombia to accommodate to Talleyrand's outdated definition, when he said that ambassadors are "very respectable individuals who are sent abroad to lie." Nonetheless, modern diplomacy is called upon to contribute — just as in effect it has contributed on numerous occasions — to foster relations between states, prevent conflicts,

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as well as to regulate and conciliate in the international scenario, the moral and material interests of all nations.

According to recommendations by Pecquer, an analyst on international issues, it is the mission of all ambassadors to "replace the cannon, the machine gun, and the destruction prompted by battle, with rationality, compromise, moderation, and most of all by prudence, reason, justice, and truth." Ambassador Frechette's impertinent remarks would seem to be a long way from Pecquer's model, and judging by their impetuousness, more befitting a debate chief for President Clinton's election campaign.

Throughout history, the exercise of diplomacy has had to adjust to a code of conduct demanded by a methodical knowledge of international law, personal qualities of perception and intelligence, and loyalty to the state for which the individual is carrying out a duty. This last condition supposes that an ambassador must refrain from becoming involved in anything that could annoy the host country. The official should also refrain from launching expressions criticizing actions or oversights by the government to which he is accredited. In other words, he is barred from interfering in issues deemed strictly internal to the host country. This specific provision, which is every diplomat's prime duty, is precisely what the U.S. ambassador is not showing any loyalty to.

His inadmissible remarks could well be interpreted as being the result of an arrogance originating from the break of bipolarity in international relations. But, do all U.S. ambassadors around the world conduct themselves in this manner, in view of the fact that they seem to perceive that they are not called upon to maintain an equilibrium that came apart in the geopolitics following the Cold War? As far as we know, there are currently no other comparisons to the examples of ambassadors such as Frechette, who criticizes the country that received him.

A Colombian Foreign Ministry communique rejected recent statements made by Mr. Frechette, which "constitute disrespect for the Congress of the Republic, a violation of principles overseeing relations between states, and represent an unacceptable interference in Colombia's internal affairs." However, the government should not limit itself to simply "anticipating that this situation will not take place again" as the text of the communique says. The ambassador has become a person not welcome in our country and he should be classified as such without any hesitation or reservations.

Colombia: U.S. 'Pressure' Behind International Problems

PA2903185196 Santa Fe de Bogota EL ESPECTADOR in Spanish 17 Mar 96 p 2A

[Editorial: "Colombia Intervened"]

[FBIS Translated Text] Colombia is going through its most difficult moment in history. What we are witnessing is the crumbling of the state in the hands of those who have the political and moral responsibility for their actions and survival for the good of the country.

The moral order has been disturbed, public order has been seized in the bloodied hands of subversives, the economic order is shaking under the threat of recession, the different branches of government are dismantling the actions of the state themselves, and not a day goes by without new scandals surfacing with respect to the investigations of Case 8,000.

Add to all that a delicate international situation that could seriously compromise our total control of sovereignty. This situation also seems to be happening without the knowledge of the president or government.

The merchants of metropolitan power are proclaiming in all directions that national sovereignty should be done away with, and they intend to include the elimination of national borders due to the universal village theory in order to impose a great universal power.

If we take the specific case of Colombia, we can observe a systematic campaign. The recent incidents involving the country are evidence enough of repeated attempts, and it seems that our leaders are unaware of the serious danger.

First, there was the indignant decertification episode leading to the country's moral humiliation, a degradation brought on by our government's acquiescent attitude to the point of international political submission, which is not in keeping with our historic tradition.

Hidden behind that disqualification is the skillful resources that the great power has been using against our territorial integrity. There are signs of an imminent expansion of the imperialistic theory of Manifest Destiny to the Uraba region, a section that is very sensitive to our territorial integrity, in view of the possibility that a new interoceanic canal joining the Atlantic and Pacific Oceans may be constructed.

One can also observe how the crazy Nicaraguan demands over our islands of San Andres and Providencia somehow have the U.S. Government's blessing and encouragement, inasmuch as they may contribute to destabilizing our country and allowing the deterioration into

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a conflict between the two nations that will weaken our position internationally and favor U.S. interests.

That being the case, nothing can surprise us more than the stance taken by the Costa Rican foreign minister on his recent visit to Santa Fe de Bogota. The announcement delaying ratification of the treaty with Colombia on the delimitation of sea areas until an understanding is reached with Nicaragua can only be viewed as unwarranted pressure in order for the Central American nation to gain undue advantages. There is no way for that strange attitude to be interpreted as a petty reaction to the controversial election of former President Cesar Gaviria as OAS secretary general.

On Venezuelan harassment along our common border under the pretext of the fight against drug trafficking, the U.S. defense secretary has now reacted with a markedly unfriendly gesture toward Colombia by arming our neighbors with war weaponry positioned across from our territory. It is a new siege promoted from abroad aimed at destabilizing Colombia internally and sparking international conflicts that will weaken our effective defense capability.

The measure adopted by the Prosecutor General's Office involving the three state ministers was announced as these same lines were being written. The seriousness of the incident will require that the next edition of this newspaper publish a statement in keeping with the circumstances and the inferences that can be made. Not before first noting that Colombia has never before in the past been so seriously compromised by a situation as now.

Colombia: Cuban-Americans Said Linked to Cali Cartel

PA2903022796 Santa Fe de Bogota CAMBIO16 COLOMBIA in Spanish 25 Mar 96 pp 44, 45

[Article by Nelson Freddy Padilla]

[FBIS Translated Text] Amidst the extravagance in which Miguel Rodriguez Orejuela lived in Cali, on an expensive wooden table, lay the proof: Cuban cigars.

However, the cigars abandoned in that mansion were not only evidence of the capo's whims, but the beginning of an investigation that three years later has the Administrative Department of Security, DAS, Interpol, and the prosecutor general office on tenterhooks.

The detectives were not so much surprised that the head of the Cali cartel had been there, but at what they proved later: that at least half of the organization's operations in Central America and the United Xtates was in the hand of Cubans that were naturalized U.S. citizens in Miami.

They again examined the cigars and found what an investigator calls the "revolution of the cartel," referring to the importance that these Cubans achieved at the right hand of Miguel and Gilberto Rodriguez Orejuela, the defunct Jose Santacruz Londono, and the Murcillo Posada brothers. Between 1987 and 1989 the Medellin cartel had already established its "Cuban connection," which led Fidel Castro to try to execute four of his top officials in 1989.

This time the epicenter was in Cali. In May 1993, in that mansion, in front of that wooden desk, *the Senor*, as Miguel Rodriguez Orejuela was known in the organization, presided over an extraordinary meeting which was intended to guarantee the loyalty of his leading men in the exterior. Miguel Rodriguez Orejuela was very concerned because of the increasing capture of the leaders of the cocaine export and import routes since the fall in April 1992 of U.S. citizen Harold Ackerman, nicknamed *the Ambassador*. He was arrested in Miami, Florida, along with five Colombians, including Luis Fernando Murcillo Posada — today imprisoned in Santa Fe de Bogota — and Cuban-Americans Pedro Pablo Gomez, and Jacobo Tomas Milanes, who were in possession of six tons of cocaine.

An intelligence report reveals that the proportion of Cubans compared to Colombians grew because of their proven effectiveness. That is why Miguel Rodriguez Orejuela wanted to ensure that in case they were captured they would not involve him. He said this to Cuban-Americans Sergio A. Aguilar and Julio Cipriano Jo on the day of the meeting.

The Cubans coordinated the sending of the drugs through the Colombia-Panama-Guatemala-United States route. Jo worked in Panama using Celeste International Company as a front. Aguilar did the same in Guatemala through Southeast Agrotate. DEA files reveal that between April and July 1992 they smuggled at least five tons of cocaine camouflaged as frozen vegetables. In September, another cocaine shipment, hidden in coffee, was seized.

Because of the importance of these men to the operation, also present on the day of the meeting some of *the Senor's* legal advisers: Francisco Laguna, William Moran, Gonzalo Paz, Robert Moore, and William Santos. Aguilar and Jo had to sign a release in which they freed their boss of any crime. Raul Marti also signed a release.

The ironic thing is that Miguel Rodriguez Orejuela took these measures not only as the "manager" — as the DEA describes Miguel Rodriguez Orejuela — but with the counsel of Cuban santeros [superstitious worshiper of saints]. And none of them were mistaken. Difficult

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times lay ahead, even for the santeros: Mario Santiago Viscay was killed in October 1994 in Cali, and two other santeros are being investigated in Colombia regarding the murder of Elizabeth Montoya de Sarria, a friend of President Ernesto Samper.

At least a dozen Cuban-Americans of the Cali cartel were found and arrested by the DAS and Interpol between 1993 and 1995, the majority of them high-ranking cartel members and with extradition requests by the United States.

The phenomenon was not by accident. It coincided with the reestablishment of diplomatic relations between Colombia and Cuba in 1991. One of the analyses concluded that "people who studied at the University of Havana arrived in the country: engineers, chemists, and physicists, of whom drug traffickers and guerrillas take advantage."

And the hypothesis was confirmed. Juan Francisco Lopez Gutierrez fell in Barranquilla. The same thing happened to brothers Jose Carlos and Ernesto Balladares, who used to fly to the Bahamas since 1991 carrying an average of one ton of cocaine that was dropped in the sea, picked up by speed boats, and transported to Florida. Tiberio and Armando Garcia also fell in Cali in January 1994. The five of them were extradited.

The "revolution" was unfolding. In early March 1995, a report alerted detectives on a new Colombian-Cuban mafia summit. The operation ended in downtown Cali on 15 March at 1100 hours when Julio Cipriano Jo was captured. He identified himself through a fake Panamanian passport that cost him $3,000. He was not a Cuban revolutionary, technically speaking. He had been arrested and sentenced in Colombia for drug trafficking in 1987. In addition, on 30 January 1992, a $4 million banking transaction under his name was detected. Miguel Rodriguez and Julian Murcillo Posada were also involved in the transaction.

The operations were extended even to Venezuela based on a tip on massive money laundering at casinos. Cuban-American Hugo Perera, a Cali cartel leader, was arrested during the raids in mid 1995. The latest case was that of Cuban-American Fernando Morales Noriega, who was captured six months ago in Riohacha. He was accused of drug trafficking, and the Prosecutor General's Office turned him over to the United States barely 20 days ago.

The systematic persecution to the Cali cartel leaders, with the help of U.S. secret agents, allowed the consolidation of information on the Cuban-American mafia. Ten more men from the list of capos have to be captured and extradited. Sergio A. Aguilar is one of them; he is believed to be responsible for the shipping of seven tons of cocaine coming from Guatemala seized in Florida on 7 March 1995.

As for the others, the information is secret, but the DAS, Interpol, and the Prosecutor General's Office do not hesitate to regard them as supercapos. "We are talking about people who can be as powerful as or more powerful than the Rodriguez Orejuela brothers or Pablo Escobar," an investigator maintained. There are consolidated charges since June 1988 on the individual who is heading the list. He was responsible for shipping 20 tons of cocaine in only one year. Another one of them has been at the verge of being captured on several occasions, the latest of which was in the Atlantic Coast last year. "He has infiltrated us, and someone is alerting him of the operation. He is very well protected," the official explained. The U.S. extradition petition states that "he is one of the big ones."

Even though the Foreign Relations Ministry denies it, a penal lawyer who defended a Cuban-American who was extradited affirmed that his client said that Fidel Castro himself offered help to Colombia to infiltrate the cartels and capture Cuban capos who, according to the DAS, were sponsoring the "forming of a colony to harangue Colombian people and the government system Castro implanted."

Cuban Ambassador to Colombia Jesus Martinez said he is unaware of these facts but did not deny them. "Colombia and Cuba have a cooperation agreement, and we are negotiating a new agreement with the Government Ministry," he pointed out.

The DAS report states that 99 percent of non-American Cubans who have migrated to Colombia have not had drug trafficking problems. Between 1993 and 1995, 555 Cubans who have specific careers were registered. Even though the Foreign Ministry toughened the controls, another 1,000 have had problems with their legal status, because they were working without a visa or married Colombians to legalize their residency.

In a single operation, 31 illegal Cuban aliens were arrested in Ciudad Montes neighborhood in Santa Fe de Bogota, and a similar number of them were deported for staging fake marriages before notaries public. Such is the case with Colombian Melba Lucia Barco Gomez and Cuban Carlos Ernesto Hernandez Sanchez, who were married at the Fifth Notary Public's Office. However, their problem is not as serious as that of Jo, who has been trying for a year to avoid being extradited. All this is because he met with *the Senor* and gave him Cuban cigars.

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Colombia: Attorney, Prosecutor General 'Cross Fire' Viewed

PA2903134796 Santa Fe de Bogota EL ESPECTADOR in Spanish 25 Mar 96 p 2A

[Unattributed article: "Cross Fire"]

[FBIS Translated Text] Case 8,000 has presented unexpected situations for many reasons, and the country has been observing and evaluating each one. The rush of developments has not prevented their analysis, nor has it prevented one from observing the quite influential role played by factors that should not be interfering with or diverting attention from other areas, a process that is so necessary to prove whether our leaders' conduct will change after all that has happened.

The atmosphere that prevails in the nation is one of confrontation, clashes, and conflicts without solution. Undoubtedly, jurisdictional differences led to a cross fire between institutions or between their directors. Now the Prosecutor General's Office and the Attorney General's Office are exchanging blows. Since, according to the legal order, there are no untouchables, particularly when human conditions exceed specific limits, an exchange of criticisms is also inevitable.

The fact that the attorney general has been linked to Case 8000 has produced those effects. Some people believe that they involve retaliation from the top official. Others believe that he has clearly exercised a disciplinary power previewed in the Constitution and laws. The attorney general is responsible for the adoption of disciplinary actions. It is only natural that he should exercise that authority. In fact, he has to. It is his constitutuional duty.

Is he overstepping his authority by investigating the prosecutor general for an irregularity supposedly committed at the time he was education minister? Was it his duty to conduct that investigation in view of the charges presented by a citizen?

If he has overstepped his authority, our laws establish procedures to be followed to investigate and punish the attorney general for abusing his authority or his subordinates if the head of the CTI [Technical Investigation Corps of the Prosecutor's Office] is unjustly sentenced. Either side would be acting wrongly if they took advantage of their position to demand compliance with other duties attributed by law to other government employees. On the contrary, if Dr. Jimenez [not further identified] deserved the punishment, it was unavoidable because his duties did not include hindering disciplinary investigations against his chief by harassing a witness.

Regardless of what the truth may be, the Prosecutor General's Office and the Attorney General's Office should not perform a play that will discredit our institutional structures. The Prosecutor General's Office and the prosecutor general enjoy great prestige inside the country and abroad. Maintaining and increasing that prestige is part of its mission. Hurting it would be another historic frustration, especially after so many successes and after adopting so many decisions necessary to improve the country's image. Colombians hope to maintain the line that has inspired them so far. Changing that line would be an unforgivable mistake.

Unfortunately, the attorney general's situation is different. As long as he remains in that position, however, he must comply with his duties. Any decision his office makes against the prosecutor general and his assistants must be well-founded, as any decision made by the Prosecutor General's Office should be. He must be responsible for his actions, as he in turn could also be subject to disciplinary actions if his administrative behavior calls for it.

Amid the current situation affecting the country, in which an atmosphere of crisis can be felt everywhere, the best thing we can do is to be reasonable. The less reasonable thing to do is to fall into the sensationalism resulting from excessive power and desperation. The crossroads we are currently facing forces us to act sensibly, without going off course. We have arrived at a point in which the impact of a detour, an abuse, or a bad action could make us fall into the abyss.

Let us see if we are capable of evading the chaos that surrounds us.

Colombia: Vasquez on Charges Against Valdivieso

PA3003022396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 29 Mar 96

[Telephone interview with Attorney General Orlando Vasquez Velasquez by news director Dario Arizmendi in Santa Fe de Bogota; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] Good morning, Attorney General Vasquez Velasquez.

[Vasquez] Good morning.

[Arizmendi] Why has the Attorney General's Office temporarily suspended two ranking officials, namely, the director of the technical organization of judicial investigation of the Prosecutor General's Office and the superintendent of corporations in recent days?

[Vasquez] Quite frankly, I was not aware of this. I was in Medellin yesterday attending the closing ceremony of one of the training seminars we are conducting nationwide on a regular basis. In the evening, I was told

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about this matter. The local prosecutors at the national level, as well as other officials of the Attorney General's Office have this power by virtue of Article 115 of the new disciplinary code. In addition, when there are circumstances that require adopting this decision to protect the public interest and prevent worse situations, a temporary suspension is decreed and it can last up to three months and be extended for another three months. This has been done before. You must recall, as the rest of the nation, the suspension of the Casanare governor for three months and the current suspension of approximately 16 government officials linked to La Picota case following Santacruz Londono's escape. This is what happened and what has happened recently.

[Arizmendi] What comes next? There is currently much talk about the case of Prosecutor General Alfonso Valdivieso because of alleged actions committed when he was at the helm of the Education Ministry and signed a loan contract.

[Vasquez] I do not know where this sort of prejudicial rumors are coming from. Neither the Attorney General's Office nor the Attorney General have anything to do with these rumors. There is some sort of misinformation campaign orchestrated by some media sources. A case in point was last night's interview with [Conservative] Representative Pablo Victoria. In this interview, which the entire nation was able to see, he made a series of deceitful, slanderous, and offensive remarks.

[Arizmendi] Pablo Victoria said that he had in his possession and had heard a tape in which you — he vowed it was your voice — were talking to a congressman and were referring to the prosecutor general — he claimed — in a very disrespectful, offensive, and crass manner. His remarks truly called the attention of those of us who watched the newscast [the "National Newscast"].

[Vasquez] I was more amazed than anyone else, because, not only you, but all those people who have known me for many years — since childhood — I have never used crass expressions. As far as I understood, Representative Victoria was skilled in economic matters. What I ignored was that he was also a technical expert in voices to the extent that he could vow the voice he heard on the tape was mine. He also mentioned that this recording was obtained through telephone tapping...

[Arizmendi, interrupting] By a foreign security organization.

[Vasquez] How do you like that? How far have we gone that the domestic tapping by some persons inside the country is not enough, but now, we also have security organizations doing this. We never had doubts, we probably mentioned it before, that our telephone lines had been intercepted, but we did not know, as we know now, that it was a foreign security organization. The representative will have to state this where he is supposed to.

[Arizmendi] Will you file a lawsuit against him?

[Vasquez] I will speak to him first. Not only will I ask him, in the same respectful manner in which I have always acted and spoken, to allow me to listen to the tape. From this moment, I authorize Representative Victoria, actually I demand that he disclose this tape to the public so that we can all know its true content.

[Arizmendi] Do you deny that you ever talked to any representative or congressman, anyone at all, about the prosecutor general?

[Vasquez] I have not talked to anyone at all, because [words indistinct] the investigation. We must abide by the confidentiality of proceedings involved in this action and all the investigations have intermediate stages. The last stage is when the evaluation is made, and we have not even reached this stage. I tell you in all frankness: I will not know what decision will be made in all the cases that have been submitted to the Attorney General's attention until detailed evaluations are conducted and the law is duly applied.

[Arizmendi] Have you ever learned, beforehand, about the decisions that will be adopted by the local prosecutors or other prosecutors in the cases under investigation?

[Vasquez] No, sir. There is a simple reason for this. This is similar to the situation of the courts vis-a-vis the judges or the courts vis-a-vis the higher courts; that is, there are different stages and jurisdictions. Whenever a superior knows about a decision made at the first stage, he is already at a disadvantage by the time the decision reaches his office after the second or final stage.

[Arizmendi] Does this mean that you will not know, beforehand, the decision adopted by the local prosecutor in the case of the prosecutor general, in the current investigation being conducted against him for irregularities committed when he was the Education Minister?

[Vasquez] This is a different situation. Ministerial or administrative irregularities committed during an official's term or before his term fall exclusively under the jurisdiction of the Attorney General's Office. These cases do not fall under the jurisdiction of the local prosecutors, unless they or other officials are specifically assigned to take any measure or gather evidence. However, the Attorney General's Office will generally adopt a decision as these cases fall under its jurisdiction.

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[Arizmendi] How far has the investigation against the prosecutor general, when he was education minister, gone so far?

[Vasquez] It is not even ready for an evaluation. In other words, no decision regarding this case and many other cases, which are in the same stage, has been considered yet.

[Arizmendi] Has any measure been adopted or has any evidence been gathered?

[Vasquez] For many reasons, we have already adopted some measures as is the case in many other investigations. One of these reasons is the existence of the statute of limitations. At present, under the new disciplinary code, the Attorney General's Office, as well as all the officials who exercise disciplinary authority, must abide by the terms of the statute of limitations with regard to irregularities reported or disclosed prior to 5 October 1995. The reason for this is that there is a six-month deadline to adopt a decision in the stage of preliminary investigations. Thus, this situation does not only apply to us, but it applies nationwide and to all prosecutors.

[Arizmendi] When will the case of Prosecutor General Alfonso Valdivieso prescribe?

[Vasquez] There are a number of considerations, which are currently covered by the confidentiality of proceedings, which is a common legal situation. Consequently, I cannot disclose this type of information.

[Arizmendi] Despite the fact that there is great uncertainty on what might be the fate of the prosecutor general, who is practically in your hands, how long will it take, approximately, to shed some light on this case?

[Vasquez] As I pointed out before, there is the statute of limitations, not only for the actions, but also for the stages of the investigation, and we have many pending cases. I would go as far as to say that there are thousands of cases that are pending very significant decisions.

[Arizmendi] Will a decision in the prosecutor general's case be adopted very soon then?

[Vasquez] Representative Victoria has even set a date for me.

[Arizmendi] April 7?

[Vasquez] I understand it is April 7 but I do not know if it is a Friday or the Sunday of Holy Week. It is [word indistinct] how completely irresponsible he is in giving these dates. This is not fitting for someone who holds such a high office.

[Arizmendi] Do you prefer any particular day when it comes to adopting decisions in your professional and private life?

[Vasquez] No, sir. The evaluations are conducted whenever there is a chance, but always in keeping with the due process [words indistinct] any official who does not act in keeping with this principle is acting improperly.

[Arizmendi] Some people argue that in the case against the prosecutor general, you should not be allowed to make a decision in the case against the prosecutor general since your office also has taken action against him. What is your view in this regard?

[Vasquez] I believe we are acting in keeping with the Constitution and the law, and if someone has any doubt about this, there are legal mechanisms available to file any complaint. Thus far, no complaint has been filed regarding this case.

Colombia: De la Calle Views Early Election Proposal

96SM0371A Santa Fe de Bogota EL TIEMPO in Spanish 29 Mar 96

[Text] The vice-president feels that reforming the Constitution to resolve temporary problems is not the best path to follow. "I will not obstruct the decisions of the Congress," he said. The vice-president and current ambassador to Spain, Humberto de la Calle Lombana, yesterday sent a letter to the president of the Senate, Julio Cesar Guerra Tulena.

The following is the text of the letter:

Dr. Julio Cesar Guerra Tulena, President of the Senate of the Republic, Bogota.

Honorable Mr. President: You have asked for my resignation as vice-president of the Republic for a variety of reasons. From a personal standpoint, nothing would be easier for me or for my family. This period has been difficult for us, but I know it has been much more difficult for the thousands of Colombians who are suffering and who are concerned about the future of their country. This allows me to state clearly that I view the vice-presidency as a responsibility, and not only as an honor. For this reason, I will never avoid the duties which the Constitution assigns me, and which I swore to fulfill. When Colombia needs me, I will be there.

The sincere manner in which the president of the Republic has sought to find solutions to the political crisis that the country is going through, is an attitude that I welcome. Nevertheless, I do not believe that it would be a good idea to advance the presidential elections at this time. In the first place, it would interrupt the normal process laid out in the Constitution and would disrupt the necessary harmony between the presidential and legislative terms. Secondly, and has been traditional,

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it would require a national concensus beyond the sphere of the legislature, which does not appear to exist at present.

Reforming the Constitution is not the best way to resolve problems which are temporary and concrete. We drew up the 1991 Constitution after reaching a very broadly based national agreement; we all participated. Those who drew it up came from the most diverse sectors of society and were elected by the people by way of a vote. The idea is that constitutions will endure for some time. They are formulated with a view to future generations. For this reason, we should comply with the one we have. We must have faith in it.

Many will think that I am expressing myself in this way because I have a personal interest. No. I state that I will not impede the decisions which the Congress makes. I will not ask any legislator to vote in accord with my ideas, and I will make a point of refraining from promoting support for my ideas.

You say that I should make arrangements with the Congress and with the Liberal Party so that they do away with the ineligibility which supposedly applies to me, and [you say] that I could even be the Liberal Party candidate. That old style of politics, of making deals, is far removed from my way of thinking and acting. It is an example of what the country should abolish forever. In my view, the presidential candidates should be a product of democratic participation by all, by those ordinary citizens traditionally excluded from the pacts and the secret meetings.

In Colombia, we should create more room for tolerence and coexistence, as well as for national unity regarding solutions to the problems which are most pressing, such as crime, corruption, drug-trafficking, impunity, and the disturbing economic signs; this should be done without leaving aside the government's social plan, which, because is part of the Development Plan, is valid for the entire presidential term, and thus is a responsibility for whoever serves as president. I likewise feel that to undertake a true political reform which will give credibility to our democracy and which will, once and for all, do away with the unacceptable influence of drug-trafficking in political activity, is a task which should be taken up immediately.

Cordially yours, Humberto de la Calle, Ambassador

Colombia: Business Leaders Appear Before Congress

96SM0195A Santa Fe de Bogota EL TIEMPO in Spanish 28 Mar 96

[Received via Internet]

[FBIS Translated Text] The Council of Business Associations has offered itself as a spokesman for seeking a solution to the country's situation. It stresses that elections could be moved ahead, but with a constitutional amendment that would rule only on this option.

If the solution to the political crisis is deferred, it will continue to hurt the business climate, and productive activity will be weakened further.

This is the view of the production guilds, which explain that the political uncertainty, far from being surmounted, is becoming worse, and, with it, the economy.

That position was expressed yesterday to the Congress of the Republic, to which five of its representatives were summoned. They agreed in stating that, because of that uncertainty, plans for investment in various productive sectors have been postponed.

The National Council of Business Associations (CGN) voiced its approval for the option of moving ahead the presidential elections, but only if it is done this year, and if "the constitutional amendment does not extend the matters other than election to the office of president of the republic, so as to achieve the substitution of power without traumatic effects."

Moreover, this agency offered to serve as a spokesman for seeking a solution to the political crisis that the country is undergoing.

Similarly, the council warned about the high costs that could result from failure to meet the fiscal goals, in terms of inflation, less growth in production, or the ability to withstand the external imbalance.

A document submitted to the Congress by the CGN observes: "Hence, we deem it necessary to call for a study of the results obtained by the Commission on Public Spending, and to adopt the essential corrective measures in areas such as transfers, the cofinancing system, and the abolishment of entities and spending on the central level, so as to become geared to the decentralization requirements."

According to Camacol [Colombian Construction Board], unemployment will increase in Colombia as a result of the slowdown being shown in various productive sectors, such as construction. The accumulation of inventories reported by industrialists also make the picture appear more gloomy.

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Meanwhile, the Association of Colombian Farmers (SAC) claimed that the political crisis afflicting the country is already starting to show its unfavorable effects on agricultural-livestock activity.

The Responses

The president of Fenalco [National Federation of Businessmen], Sabas Pretelt de la Vega, speaking yesterdy on behalf of the Business Association Council, explained to the members of the Senate's Third Commission that the lack of certification is really having negative effects.

He reminded them that, among other things, the lack of certification entails the cancellation of the budget allocated for foreign aid, the elimination of other assistance for agricultural programs, and the loss of loans totaling between $750,000 and $1 million.

He emphasized that, although the United States Government has not adopted commercial sanctions, it might do so later, if it thinks that there has been no improvement in the cooperation.

He also gave a reminder that the advantages of the Andean Trade Preference Act (ATPA) and the benefits of the General Preference System (SGP) could be lost.

The associations voiced their concern over the potential consequences of decertification for proceedings now underway against exports of flowers, sugar, and certain agroindustrial products.

Senator Juan Guillermo Velez, for his part, insisted that there are no economic effects due to the political crisis. He claimed that the slowdown being shown is due more to a current economic trend.

Meanwhile, Juan Camilo Restrepo called upon the business associations to explain the significance of signing a "pact on truth" with the government. He asked them whether the talk in the past had perhaps not been sincere.

He maintained that the deterioration in the economic indicators is associated with the political crisis and, if the latter is prolonged, the situation will become worse.

He shared the business associations' concern over high interest rates, and the negative repercussions that they will bring on the economy.

Ecuador

Ecuador: President Surveys Earthquake 'Disaster Zone'

PY2903200096 Quito Voz de Los Andes in Spanish 1700 GMT 29 Mar 96

[FBIS Translated Excerpt] An official report issued at noon today by the civil defense boards of Cotopaxi and Tungurahua Provinces states that 16 people have died, seven are missing, 51 are injured, and four have been rescued. Some 70 percent of the houses are destroyed, others have serious damage, and 800 people are isolated. [passage omitted]

President Sixto Duran-Ballen has visited Pujili and is now visiting neighboring areas. [passage omitted]

[Begin recording] [Duran-Ballen] I had to come to Pujili. I am accompanied by the defense and public works minister, and the administration secretary general, precisely to contact the citizenry and provincial authorities and to personally assess the situation so that I, not only the local authorities, can see what has happened and what needs to be done. I wish to point out that although some people have complained about our delay in arriving, the phenomenon only took place a few hours ago and we only learned about it a few hours ago. I immediately canceled all my other activities to be here to be with you and, together with local authorities, determine the magnitude of the phenomenon and what the government needs to do. [end recording]

The president made these comments in the main square of Pujili where the inhabitants gathered to express their anguish because some have lost their homes. [passage omitted]

President Sixto Duran-Ballen has visited the disaster zone. He announced that the government will disburse 1 billion sucres to aid the victims. [passage omitted]

Let us here the news conference granted by Civil Defense Director [Aercio Almeida] this morning.

[Begin Almeida recording] The epicenter of the regrettable phenomenon that took place at 1802 yesterday was in Cotopaxi Province, where the tremor had an intensity of 5.7 degrees on the open Richter scale. It occurred 15 km from Salcedo and Latacunga towns. Information provided by our provincial offices shows 16 people have died, seven are missing, 51 are injured, and four have been rescued. The areas most affected are Cotopaxi Province and Pujili, Latacunga Province where the tremor was quite strong and one person was killed and, lastly, Pastaza Province. This report also mentions the fact that a large percentage of houses have been

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destroyed, several hundred collapsed as a result of the tremor. [passage omitted] [end recording]

The Geophysical Institute of the National Polytechnic School [IGPN] announced that the tremor struck at 1802 on 28 March between coordinates 1.02 degrees latitude south and 78.7 degrees longitude west at a depth of 15 km. The final magnitude measured 5.7 degrees on the Richter scale. By 0100 today, some 110 aftershocks had been registered with a intensity ranging from 4.5 to 3 degrees on the Richter scale. The epicenter of all the aftershocks was near the epicenter of the main tremor which ratifies the teutonic nature of the phenomenon. The number of aftershocks has gradually decreased with a normal release of energy. It is quite unlikely another tremor similar to the main one may take place again. The tremor was caused by the La Victoria teutonic fault, about 15 km west of Salcedo and Latacunga towns.

The intensity of the tremor on the modified Mercalli scale in various cities was the following: 6 degrees in Latacunga, 6 degrees in Salcedo, 6 degrees in Ambato, 3-4 degrees in Quito, 3 degrees in Ibarra, 2 degrees in Cuenca, 2 degrees in Guayaquil. The tremor was also felt in other Ecuadoran cities.

A report issued by the IGPN until 0700 today shows 300 aftermaths of yesterday's tremor have been registered. The strongest were at 0544 with an intensity of 4.3 degrees on the Richter scale; 4.2 degrees at 0658; and 4.4 degrees at 0857.

Ecuador: Norway Donates Funds for Earthquake Victims

PY3003020396 Madrid EFE in Spanish 2013 GMT 29 Mar 96

[FBIS Translated Text] Quito, 29 Mar (EFE) — At least 62 people were killed and some 100 were injured by the earthquake measuring 5.7 degrees on the open-ended Richter scale that rocked the Ecuadoran central region yesterday.

According to the latest figures disclosed today by Defense Minister Alfonso Alarcon, 29 of the fatalities lived in Pujili, 12 in Cachi Alto, 12 in Santa Barbara, six in Rumipungo, and three in San Juan de Pasto Alto. All of these towns are in Cotopaxi Province.

Minister Alarcon, who gave the information in the presence of President Sixto Duran-Ballen, said that 70 percent of the houses in those towns were completely destroyed.

The number of fatalities was given to Alarcon at 2200 yesterday (0300 GMT) by the Army special forces deployed to the area shaken by the tremor.

But the Civil Defense had reported that only 20 people were killed, including four children, in Cotopaxi Province, and that six people were injured in Tungurahua Province and one in Pastaza Province.

The rescue operations and transfer of the injured continue to be carried out by Civil Defense personnel and members of the Army special forces stationed in Latacunga, which is located 20 km north of the tremor's epicenter.

Officials have not yet estimated the cost of the material damages caused by the earthquake and the more than 300 aftershocks.

Spokesmen of the Geophysical Institute of the National Polytechnic School told EFE that so far more than 300 aftershocks have been registered but none of them measured more than 4.5 degrees on the open-ended Richter scale.

The sources said: "The aftershocks have been decreasing in number and intensity, showing a normal reduction of the energy liberated by the main earthquake; therefore, tremors of greater intensity are not expected."

[Quito Voz de Los Andes in Spanish at 2300 GMT on 29 March, reporting on the quake and aftermath, adds that "the Ecuadoran Foreign Ministry asked for aid from international organizations to help the victims of the earthquake that rocked the country on the night of 28 March."]

[Madrid EFE in Spanish at 2157 GMT on 29 March, in a related report, adds that "the Norwegian Government today donated $100,000 for the thousands of people affected by the earthquake that rocked the Ecuadoran central region." The item goes on to note that this information was confirmed by the Ecuadoran Foreign Ministry, which said that the donation will be channeled through the International Red Cross.]

Ecuador: Electoral System Analyzed

96SM0145A Quito ECUADORAN ELECTORAL LEGISLATION in Spanish 25 Aug 90 pp 27-33

[Article by Julio Cesar Trujillo; published by the Supreme Electoral Tribunal: "The Ecuadoran Electoral System"]

[FBIS Translated Text] If democracy is government of the people, by the people, and for the people, the first task for political science is to create the mechanisms for people to govern, whenever the multiple, complex, and ever more sophisticated responsibilities of government cannot be carried out jointly by all of a country's inhabitants.

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The oldest and most universal mechanism is the election of a person or group of persons, who — by representing everyone — dedicate themselves to governing.

As a result, for a very long time, elections and representation have been held as concepts closely connected to democracy.

Democracy and Representation

Whether because of the impossibility of gathering all of the people so that together they may govern, or because the mass of citizens does not possess sufficient capacity, prudence, and broad knowledge "to discern what the mutual interest requires," Montesquieu maintained that: "The people should not enter government except to elect their representatives, which is well within their reach."

The nature of the representation exercised by those elected has evolved from classical theories, that used the word representation in the juridical sense, to the modern and current theories that use this word in the sociological sense.

Juridical Representation

This theory conceives of the relationship of the elector with the elected in terms similar to those of the mandate of private law.

As a result, the elector becomes the principal and the one elected the agent, who receives from the elector the power to act in his name. This mandate is of two classes: the imperative mandate, where the theory is confirmed that sovereignty is rooted in the people, understood as the sum of the electors; and the representative mandate, where sovereignty corresponds to the nation.

According to Article 1, Clause 2, of the political constitution of the republic: "Sovereignty resides in the people, who exercise it through the organs of public power."

However, representation is not conceptualized in the constitution, in the sense of juridical mandate, even less of imperative mandate, as we will see later.

Sociological Representation

The more modern concepts of representation conceive it not as a juridical relationship between the elector and the elected, but in the sense that the centers of political power must be constituted so that, within themselves, the interests and the ideas of the electors are present, in the same form and proportion in which they exist in reality.

In this way, the centers of political power — in particular, the Congress — must reflect the electoral body as a mirror receives the image of the object reflected.

As a result, the problem, in this case, consists of designing an electoral system which permits bringing into Congress — and, in general, to the centers of political power — men and women who represent, on a reduced but proportional scale, the interests and opinions of the electorate as they are expressed in the elections.

The Electoral Systems

Thus, contemporary electoral systems try to make feasible the representation of the electoral body in the National Congress and other organs of public power. The authors classify electoral systems as majority, minority and mixed systems.

Majority Systems

In these systems, the party that obtains a majority of the votes takes all of the places on the ballot. The required majority may be absolute — that is, more than half of the total number of valid votes cast in the election; or a plurality — that is, the party that obtains the most valid votes. When the adjudication of all the posts up for election requires that a party obtain an absolute majority, it is normally anticipated that the election will be repeated (voting in France) when none of the parties or lists of candidates obtains that majority on the first vote.

Minority Systems

Minority systems are based on two central ideas.

One is that there is no democracy if the right of minorities to participate in government is not respected. The other is that there is no representation if, in the centers of political power, the various factions through which voters express their views are eliminated.

The representation of the various groups or parties in which voters take part on election day has been carried out by several methods, some of which have fallen into disuse, while others are still practiced.

Primitive Methods

Linares Quintana calls these methods empirical, rudimentary, or primitive systems.

This same author places, within this group, imperfect or restricted suffrage, or Grey's; cumulative suffrage, or Marshall's; gradual suffrage, or Borda's; and the electoral minimum.

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The Proportional System

Duverger says: "The basic principle of proportional representation is that it assures representation to minorities in each electoral district in exact proportion to the number of votes obtained."

Its aim is that Congress and other centers of political power be a faithful reflection of the electorate, a replica in miniature of all the interests, ideologies, and political groups that exist in the community which is governed from these centers.

Methods for the Application of the Proportional System

The methods devised for the application of the proportional system vary considerably. The best known are: the uniform number method and the electoral quotient method, which is the one we use and the nearest to hand.

The Uniform Number Method

The uniform number method consists of setting the number of votes necessary for a party to win a position and, after the election, turning over to each party as many positions as that number can be divided into the total number of votes obtained by the party.

Thus, for example, in Weimar Germany, the number of votes necessary for a seat in the Reichstag was 60,000. If a party obtained 385,000 votes, it had a right to six deputies. In this case, the number of members of Congress is not set beforehand, but is a result of the number of seats that all of the parties have won; and the number of seats depends on the number of times each party has obtained the number of votes needed to win a seat.

The Electoral Quotient Method

The electoral quotient method is the one used for our legislature and consists basically of dividing the number of valid votes cast in an election by the number of seats to be filled. If 720,000 citizens in Pichincha vote to elect six deputies; for example, 720,000 is divided by six, and we have an electoral quotient of 120,000.

Each party is assigned as many seats as the quotient goes into the total number of votes cast for that party. Thus, in the example offered, if party X obtains 200,000 votes, Party X's total of votes is divided by the quotient, and we have one, plus a remainder of 80,000 votes.

The same procedure is followed with all the parties.

Normally, there are left-over votes for all the parties, as well as left-over seats to be assigned. These seats are assigned to parties according to various criteria — such as the system of the largest remainder, by which a vacant seat goes to the party with the largest remainder of votes. After making this first distribution, the second vacant seat goes to the party with the second largest remainder, and so on, until all of the seats are filled. Other systems for assigning vacant seats after the first distribution are: the largest average system, or Dietz's; the common divisor system; the system of the distributive number, or d'Hondt's; the rectified quotient system; and the system of multiple distributions or recuperation of extra votes.

In the largest average system for the distribution of vacant seats, the number of votes obtained by each party in the election is divided by the number of seats assigned to each party in the first distribution, and the vacant seat goes to the party that, from that division, has the highest quotient.

The rectified quotient system is the one used in our country, and therefore we will study it in greater detail further on.

Finally, the system of multiple distributions — or recuperation of extra votes — is used to make an initial distribution under the electoral quotient system, followed by another distribution using the same system; after which, the seats to be assigned are the seats remaining, or not filled in the first distribution; and the total number of votes cast is considered to be the total number of votes remaining to each party after making the first distribution.

The Ecuadoran System

The Ecuadoran system is a mixed one, because the majority system in two turns is used for the president and vice president of the republic; prefects, mayors, and presidents of cantonal councils are elected using the plurality system; for the election of deputies, provincial councilors, and cantonal representatives, the electoral quotient system is used.

The Majority Systems

Two majority systems are used in Ecuador.

The Absolute Majority System

Under the provisions of Articles 74 and 80 of the political constitution of the republic, the president and vice president are elected on the same ballot by a majority of votes.

If none of the candidates obtains an absolute majority on the first vote, under Article 81 of the Law of Elections, the people will be called to a second vote, or a "second turn," as the people have come to call it.

Participating in this second vote or turn as candidates are the two who obtained the two largest minorities;

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that is, the two largest numbers of votes of the various candidates. The same voters take part as in the first vote or turn; and of the two candidates, the one with the most votes is elected — since only votes cast for one of the two finalists are valid, and consequently the one with the most votes has more than half of the valid votes.

The Plurality System

The plurality system is used in the election of provincial prefects, city mayors, and presidents of councils of cantons that do not elect a mayor because they do not have more than 50,000 inhabitants.

As a result, that candidate is elected who has a greater number of votes than the other candidates, regardless of the proportion it may represent of the total number of votes cast for all candidates.

The Proportional System

In all elections in which more than one person must be elected at the same time, proportional representation is guaranteed under Article 34 of the constitution. Therefore, while sovereignty is rooted in the people, as stated in Article 1, representation is not taken in the sense of juridical mandate, in our constitutional law, but rather in the sense of sociological representation.

The proportional system, or that of minorities, established in our constitution is regulated by the Law of Elections under the quotient or electoral quotient method and the largest remainder in selecting from the list of candidates.

The Quotient System in Selecting From the List of Candidates

It should be emphasized that this is a system of minorities, because a majority is not required in order to be elected, and also because it is very unlikely that any of the competing parties will win all or a majority of the seats to be filled — which means that the centers of political power are occupied by several minorities or a plurality.

This system is highly favorable to parties with a small voter base. Use of the system in the selection from the list of candidates confirms the direct influence of the party in the election.

Selection From the List of Candidates

Under the Law of Elections, the political parties must present lists of candidates for national and provincial deputies, councilors, and representatives, and voters must vote for the list of their preference.

In selections from candidates lists or voting recounts, votes are allotted to lists, and then the seats that correspond to each list are granted or adjudicated to candidates in the order in which they appear on the list, as that list is registered at the respective tribunal. Therefore, in Ecuador, the election is from a blocked or closed list, because the vote must be for the entire list and for the order of the candidates, as presented by the party.

Contrasted to this system in comparative law is that of the open list, in which the voter is permitted to compose his own list — panacher [assortment] — taking candidates from different lists, if he wishes.

The Eliminating Rectified Quotient

According to Article 85 of the Law of Elections, there are two quotients — the eliminator, which does not really eliminate, except initially, and the distributor, aptly named.

The eliminating quotient is formed by dividing the total number of valid votes cast by all voters for all lists by the number of seats that are to be filled in the election. This first quotient is divided again, by two, and this second quotient is the eliminating quotient.

It is called that, commonly as well as in the Law of Elections, because under Article 85, cited above, lists that have not received a number of votes at least equal to that quotient are eliminated, initially.

The Distributing Quotient

The votes for the lists that reached the eliminating quotient are again added, and this total is once more divided by the number of seats to fill or be elected. The result is the distributing quotient.

Once the distributing quotient is established, the next step is to divide by the distributing quotient the total of votes for each list that has not been eliminated by the eliminating quotient; and each list receives as many seats as the quotient goes into the total number of votes for the list.

Once this operation is completed with each of the lists qualifying for the distributing quotient, the distribution of seats is completed if all of the seats have been distributed. But normally, one or two seats remain to be distributed, and a greater or lesser residue of votes remains from the lists.

The Greater Remainder

When the first distribution is complete, the seats remaining to be filled or to be adjudicated will be divided among all of the lists taking part in the election, in proportion to the residue of votes remaining to each list.

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starting with the list having the largest remainder of votes, followed by the other lists in descending order.

But, also in this phase of the distribution, the concept of the remainder is rectified in favor of the parties with fewer votes.

In effect, the remainder is considered to be the remainder of votes of the parties that took part in the first distribution, and which in fact is their remainder; but also considered remainders are the totals of votes obtained by the lists that were eliminated from the first distribution by the eliminating quotient.

Atypical Distributions

The weakness of the political parties as well as the fickleness of the electorate have created atypical cases that the legislature has ended up by regulating.

These cases are: when none of the lists has reached the eliminating quotient, that only one of all the lists registered at the Electoral Tribunal has done so, or that none of the lists that has reached the eliminating quotient meets the distributing quotient.

- When only one of the registered lists reaches the eliminating quotient, all of the seats will be adjudicated to that list, except for one, which will be adjudicated to the next list in number of votes.
- If none of the lists reaches the eliminating quotient, a seat will be adjudicated to each of the lists, in descending order of number of votes, until the number of seats to be distributed is exhausted.
- Paragraph b) of Article 85 of the Law of Elections anticipates a rather improbable case from the electoral as well as from the mathematical point of view. The precept says: "In the event that none of the lists reaches the second or distributing quotient, adjudication of the seats will be accomplished by taking as remainders the total number of valid votes obtained by each list and taking the first quotient as distributing quotient.
- Article 84 of the Law of Elections tells us that in elections in which two representatives must be elected, one will go to the list that obtained the greater number of votes and the other to the list that follows it in votes, as long as it has obtained at least 50 percent of the number of votes of the first list.

If the second list has not obtained that 50 percent, both seats will be adjudicated to the first list.

An Example

Article 45 of the Law of Elections provides an example that seems worth reproducing in its entirety.

"...Assume a total vote of 132,000 divided among six lists and that the lists received the following votes:"

List A	42,500
List B	30,000
List C	27,000
List D	20,000
List E	10,000
List F	2,500
Total	132,000

1. Obtaining the eliminating quotient: To obtain this quotient, the total number of votes is divided by the number of seats to be distributed.

132,000:5 equals 26,400 (eliminating quotient). Half of the quotient, 26,400:2 equals 13,200.

2. The lists eliminated for not having reached half of the eliminating quotient are lists E and F.

3. Determining the distributing quotient: To obtain this quotient, the sum of votes cast for the lists not eliminated is divided by the number of seats to be distributed.

List A	42,500
List B	30,000
List C	27,000
List D	20,000
Total	119,500
119,500:5 equals 23,900 (distributing quotient)	

4. Distribution of seats according to the relationship with the distributing quotient:

List A	42,500:23,900 equals 1	remainder equals 18,600
List B	30,000:23,900 equals 1	remainder equals 6,100
List C	27,000:23,900 equals 1	remainder equals 3,100
List D	20,000:23,900 equals 0	remainder equals 20,000

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5. Complementary distribution of seats in relation to remainders:

List D, because of its larger remainder of 20,000, gets one seat.

List A, with a remainder of 18,600, gets one seat, following List D in descending order.

The Electoral System and the Political Parties

The electoral system has as actors or protagonists the political parties and, of course, the candidates.

Because of the role that the political parties play in elections, systems are referred to as single party, biparty, and multiparty.

It is worth recalling that in Ecuador we have a multiparty system, greatly favored by the electoral system as we have just seen.

In countries where there have been advanced studies of electoral sociology, it is claimed that the system of proportional representation that we use for the election of deputies, provincial councilors, and city councils, favors the multiparty system; while majority or plurality systems, the former more than the latter, favor the biparty system or a few hegemonic parties, along with some small ones.

Superficial observation seems to confirm this relationship between the electoral system and our political parties, with special problems that are not unknown to our mixed system.

When political parties take upon themselves the right — or rather the exclusive authority —to present candidates, one is describing a system of monopoly, which can be absolute or relative, the latter being more frequent.

Our system is one of the few of judicial monopoly, because it is established by positive law, and absolute because "only political parties recognized by law can present candidates in a popular election," according to Article 37 of the constitution; and also because, in order to be a candidate, one must be affiliated with a legally recognized political party, under Articles 47 of the Law of Election and 31 of the Law of Parties.

Specialists agree that "the judicial monopoly of the political parties is generally less important than the de facto monopoly" still exercised in countries like the United States, where candidates not sponsored by the parties can run. In reality, however, those who try to do so outside of the large parties have no chance to be elected.

In this chapter, we will not discuss the ideological formation and expression of the voters by the political parties, because — despite the fact that this function is accorded to them in Article 3 of the Law of Parties — it has no direct and immediate relation to the electoral system, which is what concerns us here. For the same reason, we will not discuss the mediation of the parties between elected officials and voters, nor the conflict between elected officials and party leaders.

We will, however, spend time over the role of political parties in the selection of candidates, and in their election.

The Selection of Candidates

The nomination of candidates is very important because in a system of legal monopoly, a closed list — which is what the Ecuadoran is — means that whoever selects the candidates and situates them on the list has done more than half toward their election. If the district is one in which the party has electoral hegemony, they have carried out the election in practice, and the people are called upon to ratify it in the voting booths.

The situation in these cases is similar in countries with a one-party system and in those with multi- or biparty systems.

This subject is regulated in the statutes and especially in the practices of political parties —which, normally, express more clearly than declarations and programs the political agendas that inspire them and that they are able to carry out, and the interests to which they are committed, and to which they are subordinated.

Therefore, we will attempt an initial approach to a comparative study of the statutes on the selection of candidates; and we will finish with an outline of material on party practices that lends itself to study.

The Statutes

With the exception of the People's Democratic Movement [MPD] and the National Liberation Party [LN], all of Ecuador's political parties regulate the selection of candidates in their statutes, in the following manner:

The selection of candidates for the presidency and vice presidency of the republic, in all of the parties, is the responsibility of the top decisionmaking organ of the party. This is the General Assembly in the Conservative and Liberal Parties, No. 1 and 2, respectively; the National Convention in the Concentration of Popular Forces [CFP] - 4; People, Change and Democracy [PCD] - 7 and the Ecuadoran Roldosist Party [PRE] - 10; Democratic Left [ID] - 12; National Congress in Popular Democracy-Christian Democratic Union [DP] - 5; Broad Front of the Left [FADI] - 9; the Ecuadoran National Assembly in Ecuadoran Revolutionary Popular

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Action [APRE] - 13; Alfarist Radical Front [FRA] - 14; People's Party [PD] - 16; and the National Council in the Ecuadoran Socialist Party [PSE] - 17.

The selection of candidates to be national deputies separates the political parties into those that attribute that responsibility to the top decisionmaking body, whatever it may be called, in the FADI, ID, APRE, FRA and PSE, and those that assign it to the top permanent directive body, which is called by different names, in the other parties: Liberal, Conservative, CFP, DP, PSC, PCD and PDP.

In the selection of candidates for other elective offices, the variety of combinations is so vast that we can only say that they are either extremely centralized, like the Liberal Party and the CFP, or are broadly centralized, such as the FADI. Between these extremes, other parties can be placed — those moderately centralized, such as the ID, and those moderately decentralized, such as the DP.

As one can see, the ideologies of the parties is not at all reflected in this matter. Perhaps a more detailed study is necessary in order to find differences that might underlie the formation of bodies charged with the nomination of candidates.

The Practice

We have not been able to find any studies of how political parties in Ecuador nominate their candidates. Nevertheless, we can advance a few hypotheses, which coincide only very remotely with what occurs in other countries.

The smaller the electoral district, the greater the importance of the candidate and the less that of the parties; and ideological influence is in direct proportion to the cultural and political development of the electorate.

Parties of the right or that lean that way are not at all demanding about the commitment of their candidates to the party's ideology and program. On the other hand, leftist or left-leaning parties are very scrupulous in that regard.

Except for the ID, there has been no case where candidates have been selected by members of the party by universal, direct and secret ballot, similar to primaries in the United States. As we have seen, this practice is not contemplated in the statutes of any of the parties, nor of the ID.

Otherwise, there are no important differences between the parties in this regard.

The Election

The relationships of the political parties with the Ecuadoran electoral system are of two types: direct and indirect.

Indirect Relationships

The electoral system influences the party system in three ways.

Despite the fact that Article 1, Para. 2 of the constitution says that sovereignty is rooted in the people, and therefore voting is a right and not a function, it is also obligatory, according to Article 33 of the same constitution. The Law of Elections requires a certificate of having voted in the latest election for a citizen to be able to exercise the right to petition public officials, and also punishes with fines those who fail to vote in an election or plebiscite.

In this way, we believe, our electoral system reduces abstentions, in most cases lessens electoral expenses in transporting voters who are required by law to provide their own means of transportation, and favors the participation of new parties that attract the support of voters who disagree with the system and otherwise would probably abstain.

The system favors political parties that are organized throughout the country in the simultaneous election of cantonal and provincial councilors, national and provincial deputies, mayors, prefects, and the vice president and president of the republic.

Finally, the lack of controls over election spending encourages the formation of electoral ventures and the promotion of candidates who join at the last moment, either because they can finance the election campaign or because their membership in the circles of economic power enables them to count on the support of those circles, which form part of the pressure groups more than of the political parties.

Direct Relationships

The political parties take part directly in election campaigns because, however small their organizations may be, they supply the candidate with activists and supporters throughout the country.

In general, parties of the left or that lean toward the left emphasize the parties and social forces that support the candidacies, while parties or candidates of the right or that lean that way, emphasize the person of the candidate or candidates and minimize the party, the ideology, or the program.

[Dated] Quito, 19 February 1990

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Peru

Peru: Role of Securities Commission Discussed

96SM0150A Lima PERU ECONOMICO in Spanish Feb 96 pp 2-3

[Unattributed article: "Is This the Best Way?"]

[FBIS Translated Text] The principal functions of the National Supervisory Commission for Enterprises and Securities (Conasev) are the regulation, control, and promotion of the securities market. Conasev General Manager Victor Loayza says that "as is the case everywhere, the Peruvian securities market needs to be standardized and regulated in order to protect everyone who participates in it." He agrees that achievement of this goal requires precise information and transparency and therefore requires rules that must be followed.

Although it is clear that improvements have taken place, Conasev's performance has not been exempt from criticism. For example, some executives of investment banks point out that this institution has not been modernized sufficiently to keep pace with the development of the local market for capital. They argue that "the objectives and culture of Conasev are out of sync with what takes place in the market" and that "its professional staff confuse protection of the public interest with overprotection," to the extent that in some cases they go so far as to "place obstacles in the way of the development of the market."

Loayza says in response that "if we view overprotection in terms of the number of regulations, then no such overregulation exists in Peru, inasmuch as there are far fewer regulations here than in other countries."

In this connection, Conasev is considering the possibility of implementing new financial instruments and adapting the body of regulations to the evolution of the market. "The dynamism of the securities market," a Conasev official explains, "has caused new financial instruments to make their appearance and the existing ones to become more sophisticated. The rules must therefore be constantly revised, so that they may be more effectively applied and new regulations adopted that will respond to the needs of the market," one Conasev official explains.

The executives of certain SAB's [expansion not given] are severely critical of Conasev's performance. "Its role as promoter is today almost nonexistent, and its role as regulator is deficient," a top executive of one SAB says concerning Conasev. In this connection, Loayza explains that "there was a time when Conasev's primary role was the promotion of the market. Accordingly, between 1993 and 1994 Conasev promoted the development of the bond market, nonvoting stock shares, the ADR's [expansion not given], the Commodities Exchange Act, and the enrollment of new companies in the BVL [Local Stock Exchange]. At the present time, however, we are placing more emphasis on the role of regulator; we believe that good regulation is the best promotion. The greater measure of security will continue to attract new participants to the market and will enable those who are already participating not to withdraw."

Slowly, but Safely

The principal critics of Conasev maintain that it performs its regulatory duties clumsily and slowly, not because of a lack of funds or of legal authority but because of management problems. They explain that this discourages investors who seek financing in this market. In this connection, an executive of one investment bank declares that "it is unacceptable to have so much delay in drafting the regulations for the new instruments, as in the case of commercial paper or the capitalization of assets." According to one high official of Conasev, however, direct intermediation presupposes that the risk is borne entirely by the investor, and Conasev's position in this regard is to provide the investor with the greatest measure of security possible. "We are not going to succumb to the temptation to shorten the time required to approve offerings of securities for sale," he explains, "and thereby sacrifice the legal security of the transactions to the detriment of the investors and the market. Moreover, much progress has been observed with respect to speeding up the process. We formerly took six months to hand down a decision concerning an offering, and currently the time required has been reduced to an average of 40 days." In this connection, a firm that requested authorization to list its stock shares on the BVL explained that "in addition to the initial shock" [preceding word in English] that we felt because we were exposing our capital, coupled with everything this implied in terms of information that we were obliged to provide to the investors, our experience with Conasev—the delay in the proceedings—almost caused us to abandon that option of financing. The process was not expeditious, despite our urgent need to obtain funds for the firm."

One of the SAB's constant complaints relates to the costs of carrying out transactions. "The commissions charged by Conasev are still very high," they are saying in one SAB. Loayza's response was that "the costs that were inherited from the previous administration have been reduced. Accordingly, in cases involving the sale of fixed-income instruments, the commission charged has been reduced to 0.005 percent from 0.05 percent." Although he indicated that these commissions would

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probably be revised in the future, he went on to say that "at the present time a change in the commissions would have only a marginal impact on the sum being intermediated."

On the other hand, at Conasev they insist that their performance can be measured, in part, by the "health" of the market: in other words, by the confidence that the market projects. An analysis of market trends, they say, shows that the directly intermediated funds increased to an approximately 15 percent share in 1995 while liquidity remained constant—a statistic that represents a relative increase in the intermediated funds. Another indicator of confidence in the market, they add, is the fact that foreign investment continues to come in. Moreover, if a more "explicit" performance indicator is examined—as for example the number of files processed per person—you will note that this indicator has been increasing: from 101 in 1993 to 149 in 1994 and 174 in 1995 (if you disregard the personnel who were hired in November 1995). Another favorable predictor of future improvement in the commission's performance, Conasev people say, is that capable personnel have been hired and trained.

What Will Happen?

In response to questions, Conasev executives have declared that the commission is always open to criticism and that regulatory matters are always discussed with entrepreneurs in the sector to be regulated. In this connection, Conasev is considering certain amendments to the Securities Market Act to make it more precise, together with the revision of some existing regulations. According to one official of that institution, "in cases where privileged information is used, the proposal is to replace civilian sanctions with criminal sanctions." In previous instances, Conasev has applied administrative sanctions (see separate column). "We are unable to administer justice at Conasev," explains an official of Conasev's legal department. "This is most obvious, above all, in cases where there are gaps in the law that fail to protect small investors who hold stock in the company they work for." Similarly, the policy is to change the time limits for carrying out successive sales of securities. One of the restrictions in the law is that one offering cannot be sold until the previous offering is completely sold, and this limits to some extent the ability to raise funds continuously in the stock market. Because of the volatility of stock shares, however, Conasev proposes to exclude them from the process of risk classification.

Another discussion that is pending concerns reconstituting the physical shares of stock, because it is impossible to conduct arbitration between New York and Lima inasmuch as the stock shares are recorded in the Caval account—a potential difficulty in the case of Credicorp and Southern. The officials of the BVL and Conasev are involved in daily discussions concerning who should handle this matter, but no solution to this impasse has been found to date.

Peru: Improvements in Customs Operations Noted

96SM0150B Lima PERU ECONOMICO in Spanish Feb 96 pp 3-5

[Unattributed article: "The External Target"]

[FBIS Translated Text]

The Customs Service

The scope of the activities of the Customs Service is established in Article 254 of the General Law on Customs, which provides that "the State shall encourage the participation of members of the business community in the provision of customs services, through the delegation of functions to the private sector." An executive of an import firm stated that "at first sight, the intent appears to be to transform the Customs Service into an exclusively regulatory agency." A Customs Service official declared that in the past "the Customs Service was used as a political prize; it was overexpanded and was subjected to partisan political whims instead of becoming a highly technical organization."

According to Customs Service figures, that service shares first place in the region with Mexico in respect to automation and reducing the delay in clearing merchandise through customs. This is the result, a Customs official said, "of the customs reforms instituted during the past five years."

The results obtained by the Customs Service indicate that receipts from the collection of duties increased from $625 million in 1990 to $2.6 billion in 1995, although one importer comments that "this increase was not necessarily achieved by the Customs Service, inasmuch as the growth of the economy is the principal factor that has dynamized foreign trade." With respect to the control of contraband, a customs official stated that "we have reduced contraband from $1 billion in 1990 to $350 million in 1995," although executives in the private sector agree that during 1995 "the problems of contraband and the evasion of customs duties persisted, despite the corrective measures and stricter enforcement that have been ordered. The Customs Service should not limit itself to suppressing contraband but should also prevent it." Miguel Arriola, national manager for customs procedures, stated in this connection that "the development of the contraband trade has been caused by the social problem on the nation's active borders. An

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example of this can be found in Puno, where families have made a living from smuggling for many years. What is needed, therefore—in addition to agents—is decentralization of the industrial sector."

Covered by the Law

Customs officials believe that one of the principal measures assisting them in their work is the new law covering violations of customs regulations, which strongly sanctions smuggling and fraud with penalties that range from five to 12 years' imprisonment. The work of the Customs Service is also facilitated by another measure that speeds up customs procedure by requiring that the individual agent and the Service share responsibility for the services rendered. In this connection, the legal framework covering the activities of the Customs Service needs updating: the registration and control of foreign trade transactions should be prioritized, and the correct valuation of customs transactions ensured by regularly updating the data base.

On the other hand, one expert who was interviewed recommended that the foreign-trade agents be monitored constantly, with the aim of achieving a "second-level customs service, which was the objective of the reform of 1991." Accordingly, one of the several changes proposed in the existing legal framework is a recommendation to increase the requirements that the customs agencies must fulfill in order to receive authorization to operate. An official of one customs agency says these requirements "should be more exacting," and adds that a minimum of customs dispatches should also be required of the customs agents and a system of severe sanctions established for any fraudulent acts that the agents may commit.

One of the principal goals of the Customs Service is to consolidate the progress made. "Since 1990 there have been genuine reforms that resulted in optimizing the collection of duties, which has increased every year, and we should therefore consolidate our gains," Arriola declared. Bartolome Marcavilca, national manager for customs procedures [as published; identical title previously attributed to Arriola], explains that in this second stage of consolidation the targets are the improvement of the quantity and quality of services together with the automation and modernization of all procedures, in order to become an institution that will not be a problem for any foreign trade transaction.

On the other hand, some members of the business community who were consulted believe the firms that supervise the control of imports should be dispensed with. "It is urgently necessaary that this be accomplished," declared Carlos Augusto Dammert, general manager of Geminis, a firm serving as customs agent. In this connection, a Customs Service official commented that "although we will be unable to take over the supervision for the medium term, we believe supervision to be of great assistance in the work of the Customs Service." It is in this connection that the need arose for developing a data bank, which is now in the process of formation. One customs agent even indicated that if necessary, supervisory firms should be hired to update the data bank.

Lastly, one entrepreneur in the import sector declared that "many improvements still need to be made, such as the exercise of greater care in the preparation of the customs manifest and in the rejection of merchandise—processes in which mistakes are sometimes made." Lastly, according to one government official, new customs legislation is required "that can be adapted to innovative foreign trade," although, the official said, "the process of enlightenment could be very slow."

Peru: Bank Reforms Assessed

96SM0150C Lima PERU ECONOMICO in Spanish Feb 96 pp 5-6

[Unattributed article: "Smooth Sailing"]

[FBIS Translated Text]

The Work of the SBS [National Superintendency of Banks and Insurance Companies]

The changes in the banking system made it possible to liberalize banking and financial activity, including interest rates and the foreign exchange market, while encouraging similar treatment for domestic and foreign banks. The new regulation—D.L.770, the General Law on Banks, Financial Institutions, and Insurance Companies, of 1993—provides that financial institutions can function as multiple-service banks that operate subsidiaries such as "leasing" companies, mutual funds, SAB's [expansion not given], finance companies, and general savings institutions.

Banking executives interviewed by PERU ECONOMICO declare that the Superintendency of Banks and Insurance Companies (SBS) is performing a regulatory function that is quite adequate. "Although the regulations appear to us to be somewhat inflexible, we believe they are necessary and beneficial for the banking system," a high-level executive of the Credit Bank declares. For his part, an executive of the Wiese Bank explains that "compared to other periods, the SBS is on the right track, inasmuch as this regulatory agency used to legislate instead of regulating. We can testify that the SBS is working efficiently. In short, it is operating in harmony with the new trends, and we hope that this will continue under the new administration."

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So Where Do We Stand?

Raul Barrios, an expert on banking law, believes that despite the major changes that have taken place in banking and financial activities, the banking sector is still underdeveloped by Latin American standards. "Although bank deposits have increased since 1991," he says, "they are still low by comparison with the GDP. The increase was due to increased confidence, attractive interest rates for deposits made in dollars, and the elimination of foreign exchange controls. Interest rates are now determined by the market. However," Barrios explains, "because of the deep economic depression, the demand for credit has not increased." For his part, Luis Pizarro, a lawyer of the New York firm of Shearman and Sterling, observes that the basic task of the SBS is to ensure compliance with the regulations, and that problems arise when it operates outside the parameters of that task. In this regard, some bank executives express the opinion that the laws should allow the SBS to have greater discretion in order to make its regulatory function more flexible and encourage the development of the banks. Interbanc, however, declares that the existing level of discretion is the correct one and that to exceed that level could be dangerous for the system. Others believe that a problem is caused by the the restriction—based on a calculation of the risk factor—to the effect that the total amount of credit extended should not exceed 12.5 times a bank's tangible assets. In this connection, they are saying at Interbanc that "if you want to grow, you have to put in more capital." One proposal by the Association of Banks is that the diversification of categories of tangible assets and contingent assets should be analyzed and reduced. Moreover, it was learned that the Basilea Committee is debating whether the limit of 12.5 times is perhaps not the best for the emerging markets. On the other hand they are saying at the Credit Bank—and at other, smaller banks—that the existing limit is appropriate.

What Is Lacking?

The executives who were interviewed, however, warn of the risk of not adequately regulating nonbanking financial institutions such as the Development Organizations for Small and Micro Business Enterprises (Edpymes) and the Rural Savings and Loan Banks, among others. "Another problem like that of the CLAE [expansion not given] could result," was the comment heard at the Latino Bank. Moreover, a top executive of a local bank says that "two examples have revealed a lack of control—or, in any case, inappropriate control—on the part of the SBS, namely, the problems of Bandesco [expansion not given] and the Bank of Commerce—problems of which the SBS did take due notice but took no preventive action to keep them from worsening." Furthermore, the manager of a small local bank says that "at the present time, the control function is influenced by political interests and should be more autonomous, and this will require a higher level of technical expertise among the personnel."

With respect to the regulation of consumer credit—a relatively new activity to come under regulation—they are saying at the Bank of Labor that "it is more urgently necessary here than in Chile, and understandably so, because consumer credit is only now being introduced." The SBS is also studying the possibility of supervising those companies that engage in related financial activities but are not domiciled in Peru even though they have established a relationship with Peruvian-based firms. It is also drafting the Unified Manual of Administrative Procedures (TUPA) for its own use, together with a directive that regulates the procedures to be followed in negotiating for authorization to organize and operate finance companies.

As for the negotiations that banks must undertake if they wish to establish themselves in Peru, an investment bank executive says that "we sometimes feel that the SBS is asking us for information that is irrelevant. What is relevant is whether the institution or project in question is viable." One SBS official, however, believes that there should be some type of restriction in connection with feasibility studies, in order to avoid cases such as the Engineers' Bank or Rural Bank projects, which were turned down on several occasions for technical reasons.

It should be mentioned that the SBS has implemented a personnel reduction program. "With the support of the IDB, its staff are becoming increasingly more professional, and this is very good for the system," a Continental Bank manager said.

Peru: Public Pension Schemes Assessed

96SM0150D Lima PERU ECONOMICO in Spanish Feb 96 pp 6-7

[Unattributed article: "Regulation of Long-Term Investments"]

[FBIS Translated Text]

Performance of the SAFP [Superintendency of Private Agencies for the Management of Pension Funds]

Three years after the Private Pensions System (SPP) was initiated, more than 1.1 million workers are enrolled and have accumulated a fund of more than $550 million. "The creation of the SPP is one of the most important reforms of recent years, inasmuch as new

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criteria have been incorporated into the social welfare field, such as individual capitalization, the private fund and its untouchability, and the responsible management of investments with the sole aim of giving the worker access to larger and more secure pensions," declared Enrique Diaz, deputy superintendent of the SAFP. "To this must be added the multiplier effect that this system has brought to the financial market and to the overall economy, such as risk classification, the appearance of new financial instruments, modernization of the securities market, and the increase in domestic savings."

Risk and Profitability

According to Article 54 of the SPP Act, the SAFP has the authority and the obligation to be vigilant in behalf of the safety and adequate profitability of the investments made by the AFP's [Private Agencies for the Management of Pension Funds] using the funds that they manage. The applicability of this regulation is precisely one of the most controversial points at issue between the regulatory agency and the private management agencies. According to the several executives who were interviewed, the debate is centered basically on the SAFP's risk-classification policy, its control over the limits on investment, and the penalties that are applied. "Because the money invested by the AFP's belongs to the workers, and because the way that money is invested determines the benefits the workers obtain from them, a conservative risk-classification policy is essential," Diaz explained. In this connection, the criticism is centered on the applicability of the regulation rather than on the regulation itself. "We are completely in accord with the policies of the SAFP with respect to fixed-income instruments," one AFP executive declared, "but in the case of variable-income securities, we believe the classification of stock should be made on the basis of public information rather than by following the existing procedure." According to this view, in contrast to the purchase of a bond or a certificate of deposit, the purchase of stock carries with it no commitment by the issuer with respect to payment, so that a classification such as the existing one is not necessary. For example, a company with a reasonable level of leverage could receive a high classification whereas, according to the AFP executive, the company would nevertheless be "a very bad investment option" if it has no substantial prospects for growth and its commercial paper lacks liquidity. In this connection, Diaz replies that "this view assumes that stocks are classified in the same way as bonds, and that is not true. In the case of stocks, the basic elements of a company and its long-term economic and financial viability are evaluated." Another executive who was interviewed believes that the basic parameters for determining the classification should be primarily the existence of an explicit policy on dividends, the company's capitalization on the stock market, the liquidity of its commercial paper, and the transparency of the information it supplies to the market. "In the last analysis," the executive said, "the market itself will either reward or punish companies that issue stock, and it will do so depending on the quality of the information the companies provide it. The risk assumed by the AFP's in taking a position on stock issues solely on the basis of public information should therefore be eliminated."

Another controversial part of the SAFP's regulatory role relates to the control it exercises over the limits and the penalties that are applied. "We realize that because of the nature of these funds, strict control over the investments must be exercised," the executive of one SAB explained. "We believe, however, that in the event of any operational error—such as delaying the delivery of checks or exceeding the limits on investment—the SAFP should penalize the AFP in question by ordering the total suspension of its financial operations until a solution is reached," the executive added. "What we do not understand is why the SAFP should penalize the fund by ordering the suspension of its operations, inasmuch as this indirectly affects the individual members—by increasing their risk and decreasing their profits—instead of directly penalizing the company that serves as the management agency. If the SAFP's job is to supervise the fund in order to safeguard the interests of the members, this particular measure is totally counterproductive." Some estimates indicate that the AFP's are suspended for at least nine of the 20 trading days in the month. SAFP Deputy Superintendent Diaz, however, warned against an overly simplistic version of this matter. "If an AFP cannot show where it has invested every sol received from its members," he said, "it is logical to take the appropriate precautions, and experience has shown that these measures have always been appropriate."

More Disputes

A fundamental factor in the regulation exercised by the SPP is confidence in the system. "That is why we take great care to ensure the transparency of the advertising put out by the AFP's," Diaz explained. In this connection, the SAFP has established that for an AFP to advertise as a leader in its field, it has to demonstrate its leadership in terms of the number of members, the profitability of the fund, and the size of the fund—all at the same time. In the opinion of some AFP executives, however, there are serious problems in connection with counting the number of members. "When the system was initiated," an executive of one AFP explained, "the policy regarding membership was

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centered on the number of members and on the quality of the contributors, with the result that in order to make their commissions, many of the advertisers went to far as to enroll even dead people." According to estimates made by the AFP's, approximately 40 percent of the total membership of the system consists of nonexistent persons and/or persons who do not make regular contributions. "That is why the data must be purged," the AFP executive added.

At the institutional level, the financing of the operations of the SAFP is an aspect that has been questioned by some AFP executives. According to Diaz, "our budget is completely committed to the fulfillment of our role." The SAFP budget for this year is approximately $6 million: a sum paid entirely by the private management agencies. Several executives of the system who were interviewed, however, expressed the opinion that the aforementioned figure bears no relation to the current needs of the SAFP, inasmuch as the initial investment in software and in fixed assets was made during the first year of the SPP.

According to experts who were interviewed, it is important that the SAFP continue to play an active role in ensuring transparency in the operations of the AFP's and efficiency in the management of their investments. The substantial quantity of money that is expected to be accumulated in the fund during the coming years will require close coordination between the SAFP and the AFP's. "With a fund of $4 billion by the year 2000, it is of vital importance to achieve greater efficiency and profitability, but always with regulation," one foreign expert commented. "Let us not forget that the basic purpose of this enterprise is to ensure a dignified retirement for thousands of workers, rather than to be able to boast that a particular firm holds the top ranking' [preceding word in English] in the system," the expert said in conclusion.

Peru: Growth of Competition, Copyright Agency

96SM0150E Lima PERU ECONOMICO in Spanish Feb 96 pp 8, 15

[FBIS Translated Text] "The arrival of Indecopi [National Institute for the Protection of Free Competition and Copyrights] was like an ocean wave," declares Armando Caceres, economic adviser of Indecopi. This is because, he says, "it changed the way things are viewed: although the government has greatly reduced its intervention, it is busy designing ways to improve the operation of the market." The regulation that Indecopi is implementing has two objectives, according to Caceres. "One," he explains, "is to provide for the planning and development of sectors of the economy based on a long-term vision; the other is to determine whether there is a competition mechanism operating in the market. In other words, Indecopi's function is to be an impartial arbiter." In Caceres' opinion, the important thing is to view Indecopi as part of the general scheme for restructuring the economic program that was initiated in 1991, because, he explains, "in addition to the much shorter-term objectives such as restoring balance to the foreign and fiscal accounts, there was also the provision for structural reform. Indecopi is part of that reform."

At the end of 1991, following the changes made in the economy, the government established a legal framework designed to sustain open competition among the entrepreneurs in the market economy. It subsequently became convinced of the need to create an agency capable of preventing the distortions that were beginning to arise within the free market, so as to ensure that the control function it had abandoned would not be taken over by the business community under conditions hostile to the law of supply and demand. Decree-Law 25868 of November 1992 created Indecopi as a predominantly technical institution that functions as a dependency of the Ministry of Industry, Tourism, Integration, and International Trade Negotiations but enjoys a large degree of autonomy vis-a-vis both the state and the private sector.

"Even though institutions of this type do not ordinarily combine all these powers in a single organism," Caceres explained, "it was believed advantageous to establish an agency that would concentrate on all these matters and carry out its functions in a coordinated manner, thereby avoiding the risk of possible conflicts due to competition. However," he added, "the debate concerning the advisability of combining all these functions has not ended."

The Structure

Indecopi is charged with applying the regulations that protect the market not only from the monopolistic, controlling, and restrictive practices of competition in the production and marketing of goods and the rendering of services, but also from practices that generate unfair competition and from practices that adversely affect the business community and customers alike. It also protects copyrights and product quality. For these purposes, it is organized into six [as published] commissions and five offices that seek to serve as arbiters in the marketplace. The commissions are, respectively, the Commissions on Open Competition, Inspection of Dumping [preceding word in English], and Subsidies; on the Supervision of Advertising and Suppression of Unfair Competition; on Consumer Protection; on the Supervision of Technical Standards, Quality Control, and Auxiliary Customs Restrictions; and on Simplification of Access to, and

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Exit From, the Market. The offices are, respectively, the Offices on Trademarks and Logos; on Inventions; on New Technologies; on Registration of the Transfer of Foreign Technology; and on Copyrights. These commissions and offices have primary jurisdiction, and the Tribunal for the Protection of Competition and Copyrights has secondary and final jurisdiction. The decisions of the Tribunal can be challenged only before the Superior Court in Lima.

The organizational standards for Indecopi seek to provide the guarantees necesssary to enable it to operate independently of the state and the private sector. Its funds are accordingly derived from transaction taxes, copyright registration fees, fines, international technical cooperation funding, legacies, and donations. The resources available to Indecopi are nevertheless inadequate, and although the salaries of its staff are competitive with those of the rest of the public sector, they are less so by comparison with those of the private sector—a circumstance that could make it difficult to retain personnel for very long.

Transition

Alfredo Bullard, legal adviser to Indecopi, says that "one problem with the regulation exercised by Indecopi is the fact that it is impossible to wage an aggressive campaign if there is a diffusion of its labors, because that would put at risk its ability to respond to complaints from consumers." Indecopi has therefore chosen to keep a low profile and respond gradually to the expectations of the consumers. With the passage of time, however, this agency has attempted to meet the deadlines contemplated in the standards that have been established and to provide specialized treatment to the consumer or client in different areas.

At the present time, Indecopi has responsibilities that exceed those of any other agency. "Indecopi," Caceres says, "is in a period of transition toward more flexible regulations and for that reason has taken on a number of temporary functions." He believes that as the mechanisms of the market gradually improve their performance, there will probably be much less intervention and "some other type of institution will do the work. For example," he explains, "the consumer associations could be the ones to handle future complaints in these areas, and the Commission on the Supervision of Technical Standards may perhaps no longer be in charge of the process of normalization, having been replaced in that role by the private sector."

There has been criticism of Indecopi's performance. One of the agency's most recent interventions was its imposition of sanctions on the millers for fixing the prices on wheat flour. Some analysts believe that Indecopi intervened in the case in response to pressure from the executive branch. At the time the decision was handed down, Guillermo Lohmann, attorney for one of the sanctioned firms, declared that the decision to impose sanctions was "somewhat dubious" in that there was insufficient evidence. In reaching its decision, however, the Commission on Open Competition had the assistance of its counterpart in the United States and used the criteria that are generally accepted throughout the world with respect to circumstantial evidence. "The period since its creation," Caceres says, "has been a continuous learning experience for Indecopi during which the performance of each of its commissions and offices has been studied and evaluated. The criteria that are applied have gradually been refined and indicate to investors how the concepts are being interpreted. The idea is to create an institutional memory with regard to the treatment of certain matters."

Another criticism is that its staff is too young. "That is both an advantage and a weakness, however," Caceres insists, "because there is less to correct while at the same time there is also more to learn." The case of the wheat-flour mills was probably an indication of the vulnerability of Indecopi's personnel and their ability to respond. Caceres believes that the personnel have been learning along with the consumers, "because," he says, "no one in Peru had much experience in these matters, but now we have technical secretaries and office chiefs who are experts in their particular fields."

On the other hand, some analysts say that Indecopi's standards are insufficient to adequately promote the free market. In this connection, Congress has given the Executive Branch special authority to endow Indecopi with a greater ability to impose sanctions, to spell out the agency's investigative powers more precisely, to fill the legal gaps in the definition of its functions, to achieve greater effectiveness in the area of consumer protection, and to simplify procedures and processes. "It is more important to finish the task of defining functions," Caceres says, "than to define new kinds of sanctionable behavior."

In Caceres' view, the ideal situation is to intervene as little as possible. "Because no market culture previously existed," he says, "Indecopi's efforts have been concentrated more on resolving the complaints of individual parties than on promoting the culture of the marketplace." For that reason, he concludes, "if the private sector plays an increasingly important role, and if all sanctionable conduct is clearly defined, the number of illegal practices will be reduced and only the more complex cases will reach Indecopi."

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Peru: Agriculture Head on Government Role

96SM0150F Lima PERU ECONOMICO in Spanish Feb 96 p 12

[Interview with Agriculture Minister Absalon Vasquez Villanueva; author, place, and date not given: "The Government Should Enable the Market To Function"]

[FBIS Translated Text] [PERU ECONOMICO] What role does your ministry play in the agricultural sector?

[Vasquez] We play a dual role, because we are a normative organization and at the same time act as a promoter, whereas the private sector should assume the role of producer. However—in line with what is taking place in the rest of the economy—the agricultural sector has the particular distinction of bringing together producers from different strata: medium-scale farmers and poor small farmers. To cope with this reality, agricultural policy is designed to facilitate access to the market for the poor small farmers. The state has an obligation to enable the market to function for the more than 800,000 families that find themselves in this situation. If it does not intervene, these families will never enter the market, because they are in no condition to compete. It should be pointed out that this intervention does not take the form of the direct acquisition of products or price fixing by means of ministerial resolutions.

[PERU ECONOMICO] Then in what way will the state intervene?

[Vasquez] The government should acquire products from the organized small farmers, but should do this through the offices that have the task of providing social support to the population. This is the recommendation that I always make, and it should come as no surprise, because this policy is also implemented in the developed countries.

[PERU ECONOMICO] What kind of projects is the Ministry of Agriculture (MA) promoting?

[Vasquez] With the aforementioned objective in mind, the Rural Savings and Loan Banks were created to promote the progress of the small farmers. The MA hopes that these banks—which are authorized to receive savings deposits and make loans—will become the basic axis of agricultural policy. We also hope that they will be the seed for new enterprises that will market producer goods and farm products. They currently have more than 51,000 members, and according to our projections their capital movement will probably approach $200 million by the year 2000. For poor farmers who do not have access to the Rural Banks, the Rotating Funds are in operation, using Treasury funds. These funds are delivered to farmers who are organized into community and multicommunity enterprises for the acquisition of producer goods. Approval has been granted for the delivery this year of from 40 million to 50 million soles under this program.

[PERU ECONOMICO] Do all these measures have as their goal the modernization of the agricultural sector?

[Vasquez] Yes, if you interpret modernization as increasing the living standards of the farm population by increasing their production and productivity. By this definition, modernization is already a reality in the agricultural sector. One need only note the increase in the agricultural GDP that has been recorded in the last three years; we also anticipate an increase of between 5 and 6 percent this year. Moreover, the indices of productivity for individual crops such as rice and potatoes have increased in the various agricultural zones. All this has been achieved thanks to measures such as the installation—using Treasury funds—of a network of biotechnology laboratories at the national level that have enabled the farmers to have high-quality seed and to cope with pests and diseases.

[PERU ECONOMICO] To what extent will the regulations contained in the Land Act make it possible to develop this market?

[Vasquez] A primary factor is the legal standards that guarantee the right to own land by eliminating all the obstacles that formerly impeded or restricted the implementation of this principle. Nevertheless, I consider it essential to clarify some points, inasmuch as the landowners on the Coast cannot be treated in the same way as the owners of the poor and marginal lands of the mountain and forest areas.

[PERU ECONOMICO] What progress has been made in granting title to lands?

[Vasquez] On the Coast, 98 percent of the plots of land are already covered by titles of ownership, and progress has been made in granting title to lands in the mountains and forest. For this purpose, negotiations are under way to obtain a loan of $36.5 million—of which the IDB is contributing $21 million—that will enable this work to be completed. In this way we hope that by 1999 we will have completed the granting of titles and the creation of a modern register of rural properties.

[PERU ECONOMICO] What is your position on the issue of the overvaluations?

[Vasquez] Our position is very clear: if the developed countries give their farmers subsidies to enable them to compete on the world market, why are we unable to protect our own producers? Under those conditions, one cannot speak of open competition. This is the reason

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the state is obliged to establish mechanisms—such as overvaluation—to protect the local producer. I believe that all types of meat should be included among the products subject to this treatment, because they also receive subsidies from the countries that export them.

[PERU ECONOMICO] How can the situation of the sugar cooperativies be solved?

[Vasquez] We must distinguish between two aspects of the situation. On the one hand, there is the debt that the cooperatives owe to the state and to their own workers for the payment of social benefits, and on the other hand, there is the bad management and the politicization within the cooperatives themselves. Both aspects are creating a very sensitive situation that prevents the cooperatives from becoming viable production units. Our position in this matter is to adopt the attitude of a mediator. Of the various proposed solutions under discussion, the one I believe most appropriate is the one that makes it possible for these cooperatives to capitalize the debts they owe to the state and to the workers, either by forming a corporation or by creating a new model of cooperative that would involve the issuance of stock.

Peru: Changed Expectations of Economic Policy Viewed

96SM0150G Lima PERU ECONOMICO in Spanish Feb 96 p 14

[Article by Cecilia Balcazar]

[FBIS Translated Text] After two weeks of meetings, the IMF mission left Lima and will return two weeks from now. In the aforementioned meetings, the MEF-BCR [Ministry of Economy and Finance-Central Reserve Bank] coordination team presented to the mission its proposal concerning the principal policy lines suggested for incorporation into the new Expanded Facility Program that the Peruvian Government will sign with the IMF covering the next three years. This type of agreement provides not only for short-term goals but also for several structural reforms that are still necessary for the medium term.

"The IMF mission was able to verify that the goals indicated for 1995 have been achieved without major problems," a source linked to the economic team told PERU ECONOMICO. "They received the information that the Peruvian Government provided them concerning the objectives for 1996, and they will need to review it with a view to initiating the negotiations on their next visit."

The expectations of the MEF with regard to what the IMF will present as objectives for 1996 are conservative. "In general," the government official told our interviewer, "it is expected that the IMF would want Peru to achieve, in 1996, the goal of one-digit inflation; a growth of slightly more than 4 percent in the GDP; a primary surplus of 0.8 percent; and in short, a slight reduction in the current account deficit." The MEF economic team is reportedly interested in establishing a better combination of fiscal and monetary policy in which the principal instruments would be control over public spending and the prudent management of the growth of the money supply. For the medium term, the program that will be agreed upon with the IMF will reportedly include continuation of the structural reforms, basically as they pertain to renewal of the privatization process.

The economic team has two central concerns in this regard. On the one hand, the size of the current account deficit and its sustainability over the medium and long term continue to be called into question. According to official figures, the current account deficit in 1995 amounted to 7 percent of the GDP. If you consider that the official GDP may be overestimated by as much as 20 percent, this figure could well be around 8 percent of the GDP.

The projections for 1996 by various sources that were interviewed indicate that the current account deficit will be around 6 percent—a level that can be financed by the income from privatizations, the sale of the state's remaining interest in companies that have already been privatized, the inflow of short-term capital derived from illegal exports, and remittances from Peruvians living abroad. This opinion is shared by some investment banks such as Morgan Stanley (MS), which stated in a recent report that the current account deficit—which it estimates at 5.6 percent of the GDP for 1996—will continue to be financed primarily by long-term capital, as has occurred until now. The strong position of Peru's international reserves (more than $6.6 billion as of the end of January), the flotation of its exchange rate in the foreign exchange market, and the decrease in the proportion of the GDP that is represented by consumption are among the factors that cause Morgan Stanley to be confident that the "foundations" of the Peruvian economy will remain solid.

For its part, Apoyo Consultants believes that the principal dilemma in current economic policy is caused by having to choose between greater growth accompanied by a higher current account deficit and volatile expectations, on the one hand, or less growth accompanied by a correspondingly lower deficit but more stable expectations. At this point it is necessary to analyze the government's second concern: i.e., the growth of the economy. In 1995 the GDP grew for the third consecutive year, recording a growth of 6.9 percent over the figure for the previous year—a level significantly below the 12.9 percent rate achieved in 1994.

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In December, however, there was a decrease in production of approximately 1.1 percent by comparison with the figure for the same month of the previous year. A substantial part of the deceleration of the growth rate was due to the greater control exercised over public spending beginning in the second half of 1995, immediately following the overexpansion that took place in the initial months of that year because of the electoral process and the conflict with Ecuador. Fishing, manufacturing, and construction are the sectors that recorded a decline in production during December. The smaller quantities of anchovies unloaded, and the decline in frozen fish production, are the principal factors that explain the 23.6 percent drop in the fishing GDP in December, despite the fact that prices in the fishing sector recorded a substantial increase. In the manufacturing sector, the reduction in beverage production—30 percent in the case of soft drinks—and the declining trend recorded in the textile, metalworking, and machine-building industries are the factors that have played a major role in the negative performance of the manufacturing sector. In the construction sector, the deceleration that was demonstrated throughout 1995 resulted in a 5.3 percent decline in production in December by comparison with the same month of the previous year.

This reduction in the rate of expansion of the economy has been reflected in a decrease in the rate of growth of imports. During 1995, imports exceeded $7.5 billion, which is the equivalent of a 35 percent growth over the figure for 1994. In the first quarter of 1995, imports grew by 70.5 percent commpared to the same period of the previous year. In the fourth quarter, however, imports grew by only 18.9 percent and even experienced a comparable decline in December as a result of the decline in purchases of industrial producer goods.

The MEF has indicated that in 1996, the growth of the economy will be on the order of 4.5 percent. This indicates that the economic team has lower expectations than it had in the middle of last year, when there was talk of a 6 percent growth rate for the GDP in 1996. "This does not mean that we are at the beginning of a recession," a government official commented, "but rather that the Peruvian economy is moving toward a more sustained rate of growth."

Peru: Role of Central Bank Examined

96SM0150H Lima PERU ECONOMICO in Spanish Feb 96 pp 15-17

[FBIS Translated Text] At the 1920 International Financial Conference in Brussels it was recommended that all countries create central banks in order to have more stable economies and allow for greater international cooperation. Eleven years later, the Peruvian Government decided to create the Central Reserve Bank of Peru (BCR). Like other banks of the same type, its purpose was to maintain monetary stability and protect the nation's foreign exchange. Far from achieving these objectives, however, the performance of the central banks during the previous decade in Latin America—and especially in Peru—merely verifies the saying that "anything is possible on paper."

Legal Autonomy, or Genuine Autonomy?

The 1993 Constitution establishes, in its Article 84, that the purpose of the BCR is to preserve monetary stability by regulating the currency and credit of the financial system and managing the international reserves that are in its charge. These are the same functions that the previous Constitution had assigned to it, except for one important detail: the introduction of the concept of autonomy for the BCR in the exercise of the functions assigned to it by the new Constitution. The autonomy of a central bank can be defined as its ability to make decisions independently within its own sphere of action without receiving instructions from the government. This concept of autonomy—as introduced in the Constitution—was subsequently incorporated into the BCR Charter of 1993, which replaced the previous set of regulations promulgated in 1968.

This change, however, did not incorporate mechanisms that would detach the BCR from the political cycle, in view of the fact that both its president and its board of directors are appointed for a term of five years, renewable on 28 July of the year in which the general elections are held. "This mechanism for appointing the BCR board of directors prevents the institution from acquiring genuine autonomy," a former government official says, and especially when one considers that four of the seven members of the board of directors are appointed by the Executive Branch and three by the Congress—an institution in which a pro-government majority may exist, as is the case at present. "In the case of Peru, this circumstance does not necessarily diminish the autonomy of the BCR, inasmuch as it is ultimately the individuals who make the institution," observes one government official who has ties to the economic team. "In our BCR," he explains, "the fact that the directors serve part-time has enabled the experience of the private sector to be imprinted on the public sector." In Chile, the five members of the Council of the Central Bank—the bank's board of directors—are appointed for a term of 10 years, one of their number being appointed every two years. One argument in favor of making a central bank independent of the government in power—an argument that arose during the debate concerning the charter of the Chilean Central Bank—is the fact that

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this introduced a measure of integrity into the decision-making process by facilitating disclosure of the costs entailed by inadequate management of economic policy. In practice, the objective is to have a central bank with an autonomous status that is free from any interference.

What Is Regulated

The regulation that the BCR exercises is less discretionary today than it was previously, and more decisions are taken on the basis of established rules. The need for a change of this magnitude became obvious following the macroeconomic results obtained in the late 1980's. With a 100,000-fold average increase in prices occurring between July 1980 and July 1990, and a level of net international reserves that recorded a negative balance of more than $100 million as of the end of July 1990, the performance of the economy disclosed the inconsistency between the BCR's objective of long-term stability and the government's objective of generating greater prosperity for the short term but at a much greater cost over the long term.

The desire to control inflation has been one of the principal factors that has motivated several Latin American countries to grant greater autonomy to their central banks. Peru has not been free from this trend. Before initiating the process of restructuring the financial system, the BCR exercised direct control over the liquidity and the credit of the economy. "The BCR was for many years mistakenly utilized as a vehicle for allocating funds, when in reality its role should have been limited to managing monetary policy," a former official of the present government observes.

In this way, the functions of the BCR formerly went far beyond the monetary objective, inasmuch as the bank not only fixed interest rates and regulated them but also controlled the magnitude and direction of the lines of credit allocated for development and the almost unlimited credit provided to the central government. Actually, much of the quasi-fiscal deficit that was generated in the economy during the 1980's—a deficit that was the product of subsidized and discriminatory credit channeled mainly through the development bank—was a reflection of the inflationary bias in monetary management, "with a group of bureaucrats deciding who to lend to and for what purpose," a former government official told our representative. A government official with ties to the economic team explained that "by establishing very large reserves in soles, the BCR was able to control overall liquidity by regulating private liquidity." He said the way foreign exchange had been managed was completely irrational. "The system of minidevaluations practiced in the late 1970's and early 1980's," he explained, "was discarded in favor of a system of fixed and multiple exchange rates. Moreover, access to the foreign exchange market was also controlled by the BCR on the basis of the purposes for which the foreign exchange was being purchased." Through the medium of innumerable resolutions concerning foreign exchange that were utilized subsequent to the creation, in 1977, of the Standardized Exchange Market (MUC) [the official exchange rate], the BCR exercised functions—such as that of regulator of the exchange market—that were legally established in its charter.

"Today," the aforementioned former government official told our reporter, "our monetary policy is on automatic pilot. The BCR has less discretionary authority, and that is a good thing." With the elimination of the MUC and the deregulation of the exchange market, the BCR's regulatory role is now delimited by its charter, which expressly prohibits the BCR from lending to the National Treasury or to financial institutions that promote development; creating special funds to make loans for any type of economic activity; establishing systems based on multiple exchange rates; or taking any other exchange measure that involves discriminatory treatment. At the present time the BCR is using instruments of indirect control that are based on the market: if there is an excess of liquidity, it holds an auction of certificates of deposit; and if there are liquidity problems in the banks, it rediscounts their commercial paper.

What Is Lacking

"Monetary stability—and therefore stability in prices—is the sole objective that should guide the activity of the BCR," says a government official who has ties to the economic team. "Many people believe that because the BCR is today much more involved in the market, the actions it takes are more discretionary. Having to operate in accordance with the rules of the market, however, obliges it not to discriminate." Except for its reserve function and except for the opinions it must render in dealing with the macroeconomic impact of the opening of new banks or the liquidation of others, the BCR's regulatory activity with respect to the banks is very slight, inasmuch as this task is performed by the National Superintendency of Banks and Insurance Companies (SBS). "There is still a feeling, however, that monetary policy is not completely transparent, because of the perception that the exchange rate is, to a certain extent, managed by the BCR," a local bank executive observes. Although it could be argued that Peru has little experience in market-oriented monetary management, which it has only just begun to practice, it is nonetheless a fact that even today—and from the very start of the process of gradual control of inflation—a certain level of distrust of the monetary authority has persisted. In the

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words of one expert, "it is probable that the autonomous Central Bank is protecting us from inflation, but who is protecting us from the Central Bank?" The levels of dollarization that the financial system is still manifesting are proof of how difficult it is to reverse the loss of confidence in the national currency. Restoration of the credibility of the monetary authority remains a challenge for the future.

Peru: Taxation Agency's Operations Analyzed

96SM0150I Lima PERU ECONOMICO in Spanish Feb 96 pp 18-19

[FBIS Translated Text] When the administration of President Alberto Fujimori was inaugurated in July 1990, tax revenues represented 4.1 percent of the GDP, as a result of the hyperinflation and the minimal attention that the previous administration had paid to the matter. As a result of the economic adjustment carried out the following month, the tax burden rose in 1990 to 9.5 percent of the GDP. Pursuant to the reform of the system and the tax administration—a reform initiated in 1991 with the appointment of Manuel Estela as head of Sunat [National Tax Administration Superintendency]—tax revenues gradually increased until they reached 14.3 percent of the GDP in 1995 under the superintendency of Adrian Revilla. Although these figures reflect a significant increase, the tax experts interviewed by PE (PERU ECONOMICO) believe there is still a long way to go.

What a Problem!

Officials of the MEF [Ministry of Economy and Finance] and Sunat agree that increasing tax collections has top priority. This is also the recommendation contained in the message from the IMF missions that are monitoring the progress of the economic program. "But the problems arise precisely when measures are taken—with the objective of increasing tax collections—that violate basic principles and create distortions," declares Guillermo Grellaud, an expert in tax law.

Another tax attorney insists that "the excessive powers possessed by Sunat" are an important factor in this connection. To this, Grellaud adds that although the power to impose taxes is a function of the state, the administrative agency that is created to carry out this function should operate on a plane of equality with the taxpayer. Grellaud explains that the relationship between the tax administration and the taxpayer should be based on law, not on power. "This is not taking place, however," Grellaud declares, and the result is a situation that is favorable for abuse. Concerning this subject, they point out at Sunat that other taxation agencies in the world have even greater powers. "The difference, however, resides in the fact that in the case of these other taxation agencies, the appellate procedure available to the taxpayer is more expeditious," Grellaud says. In fact, he adds, there is a growing backlog of files in the tax tribunal, "not to mention in the court system." Another aspect of this problem is the delay experienced in refunding overpayments of tax. "These refunds should be made more quickly," he says, "if we want a relationship of equality to exist between the state and the taxpayer." In the opinion of this expert, Sunat's excessive powers are tempered by the caution and responsibility exercised by its personnel, although in some cases this attitude leads to inaction. To cope with this situation, Grellaud says, "it is necessary to incorporate measures that will protect the taxpayer."

In practice, however, Congress has lost its authority to legislate in tax matters, having delegated this power to the executive branch. "This is caused, in part, by the lack of expertise in tax matters on the part of the members of Congress," Grellaud explains. For example, he says, "a legal provision to the effect that Peruvian commission agents for imports may not issue payment vouchers that include the IGV [General Sales Tax] to foreign suppliers—because that would amount to exporting taxes—has been awaiting passage for more than two years."

Sunat is an organ of the public administration, not a normative body. For that reason, Grellaud insists, regulations should be established either by Congress in a law, by the Executive Branch in a supreme decree, or by the MEF in a ministerial resolution, but definitely not by Sunat, because Sunat then becomes both the judge and one of the parties to an action, "which," Grellaud says, "is what has been taking place." Today, he continues, Sunat decides when and why one must pay, uses coercion to enforce payment, grants credit to whomever and whenever it chooses, uses its own criteria in establishing the list of deductions, and so forth. In this connection, for example, Sunat establishes the interest that a delinquent taxpayer must pay as well as the interest that it must pay when taxes have been collected that were not owed. "However," the tax attorney Javier Luque says, "there is a difference of 1.3 percentage points between the one and the other," and he wonders: "Who pays the difference?" "In other words," Grellaud explains, "Sunat is as powerful as Congress, or more so, inasmuch as it does not even have to debate its decisions: it suffices to publish them." For this year Sunat is organizing a working team to develop the necessary regulations for recommendation to Congress.

Turning to the subject of tax evaders, Grellaud maintains that when Sunat discovers evidence of tax evasion, "that is when it should enforce the law to its fullest ex-

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tent." Nevertheless, he says, Sunat's excessive powers ultimately lead to "excesses and abuses, especially in the case of alleged tax indebtedness." For example, in the case of attachments and seizures for nonpayment of tax indebtedness, either a court order or authorization from the taxpayer is required to enable Sunat's collection agents to enter the premises of the taxpayer. However, Grellaud continues, "because these agents arrive accompanied by a great deal of paraphernalia, the taxpayer is intimidated and allows the agent to enter despite the absence of any court order." And he adds that although the regulations specify that only those assets that are not essential to the production process can be attached and seized, "this is often not what takes place." Some observers also believe that other intimidating measures can be prejudicial, such as the recent publication of the list of debtors and their indebtedness. In this case, Grellaud says, "the publicity campaign has been managed so as to leave the impression that the list as published is one of tax evaders rather than debtors." Publicity of this type can even cause irreparable damage to a company's image by cutting off its lines of credit and thereby putting at risk not only the company's survival but also Sunat's own possibilities of collecting the debt.

In the case of its debtors, another tax expert says, Sunat "should exercise some flexibility," because there are a number of factors that can adversely affect the taxpayer—such as market conditions and natural disasters—that make it impossible to fulfill a tax obligation, especially in the case of the income tax. In such situations, in order to differentiate each case without being guilty of subjectivity, Sunat must have precise information concerning the taxpayer's situation and background. "Files containing such data are now being compiled," this source maintains. Sunat should therefore follow a procedure similar to that of a financial institution, "where," this expert says, "customers with a good payment record are given an opportunity to fulfill their obligations." At the present time, if the taxpayer is having temporary difficulties, Sunat imposes the strictest penalties.

Are We in Agreement?

Within Sunat itself, however, there is no unified position concerning how to act in a given situation, and several months after rendering an opinion, Sunat's officials may reverse their own decision. This occurs, Grellaud says, because "Sunat should not have discretionary power in tax matters but should merely apply the law." Such situations arise, for example, with respect to the requirements for paying one's tax obligation on the installment plan, which are changed as Sunat sees fit.

Sunat does, however, concentrate on providing information to taxpayers concerning how to fulfill their tax obligaion. "Initiatives such as Sunat Plaza, where advice is provided, are positive," Grellaud says, "but only if the advice is accompanied by a document in which the tax official takes responsibility for the advice he gives." This is necessary, he explains, because "Sunat may subsequently change its mind without the taxpayer knowing it." It is even more important, Grellaud continues, when the IGV is involved, because in such cases the harm done to the taxpayer is greater. When interviewed concerning this question, the agents at Sunat declared that "Sunat responds in writing only to questions submitted by organizations; the rest is merely advice offered to the individual taxpayer."

For example, when a company asked Sunat for advice as to whether the IGV should be collected on royalties received for the temporary transfer of intangible assets—trademarks, patents, and so forth—Sunat responded in November 1994, in effect, that royalties were not subject to the IGV because intangible assets do not fit the definition of movable assets, and because the temporary transfer of intangible assets is not regarded as the provision of services. Six months later, however, the company received another official communication stating that "certain legal procedures were overlooked" and therefore "the (previous) communication is null and void, and we (therefore) invite you to come to our taxpayer-assistance offices, where we will inform you of the official decisions of this agency." Upon visiting the offices, the representatives of the company were shown a report dataed July 1993, describing a case where the contrary opinion was upheld. This case—which is described in detail in Sales Report No. 87 of the Economy and Finance Publishers—"gives rise to uncertainty in the mind of the taxpayer," Grellaud says, especially since in the same report it is stated that, in fact, royalties are not taxed. In the light of this situation, he concludes, "it is important that Sunat unify its criteria, so that its instructions to the taxpayer are consistent."

Uruguay

Uruguay: Accord With Russia on Social, Labor Ties Signed

PY2903205596 Montevideo EL PAIS in Spanish 8 Mar 96 p 9

[FBIS Translated Excerpt] The Uruguayan and Russian Labor Ministries yesterday signed a declaration, expressing their decision to cooperate in the labor and social fields, based on the principles of equality and mutual benefit.

The declaration includes the new liberal principles prevailing in the new Russian nation, "bearing in mind

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the implementation of joint activities to create new social-policy values that will contribute to establish market economies in both countries," "based on support for the achievement of prosperity through economic freedoms and social equality."

Cooperation will involve training social and labor experts, and executives and market-economy professionals.

Some cooperation areas will involve labor market policies, including the promotion of labor market institutes, assistance for self-employment and for the development of small-sized enterprises, labor safety and hygiene in labor places, social security, labor laws, the relationship between social agents, and wage and premium-pay policies.

Both countries agreed to exchange informative and specialized material, hold consultations and participate in seminars, symposiums, conferences, and research.

The declaration was signed by Russian Labor Minister Gennadiy Melikyan and Uruguayan Labor Minister Ana Lia Pineyrua. Russian Labor Vice Minister Igor Salevinskiy and his Uruguayan counterpart, Mario Curbelo, were present at the ceremony. [passage omitted]

Uruguay: Foreign Minister on Mercosur's Progress

PY3003013796 Montevideo LA MANANA in Spanish 25 Feb 96 p 5

[Report on "exclusive" interview with Uruguayan Foreign Minister Alvaro Ramos; place and date not given]

[FBIS Translated Text] The foreign minister began by saying that "Mercosur [Common Market of the South] is an economic-trade undertaking of the region's four countries that cannot be looked upon as though it were a photograph because it is already an ongoing process."

"We must look at it from its beginning and with a view to its future because it has been strengthening and institutionalizing itself," he said.

Ramos stressed that the bloc "is giving concrete answers" on the topics for which is was created. "The increase in trade within the region, integration within the subregion in the full sense of its meaning, the realization of its legal status, and a political identity abroad" are the great achievements of this first year of Mercosur's functioning.

"The economic-trade bloc must be focused on two well-defined pillars," he added. First, he indicated, is the fact that "an advance in the functioning of Mercosur's organizations" has now been achieved.

We Have Overcome the Crisis

"We have suffered a crisis involving the automotive regime between Argentina and Brazil; there have also been some difficulties regarding access of our products to the northern market due to some tariff measures. Argentina and Brazil have been asked to expand the list of exceptions, and Paraguay has requested the inclusion of other articles on the list of sensitive products." "All these problems have been have been resolved at round table negotiations, where the four partners seek solutions and agreements, and this is something that must be highlighted," he added.

"These types of controversies must be resolved by a higher legal organization that can interpret the mechanisms to which all four partners are committed, thereby making it possible to solve the difficulties that are submitted by the partners and private enterprises," he explained.

Agreements With Europe

Second, Ramos indicated, is the fact that Mercosur has become "a very important political and economic protagonist, and the signing of the agreement with the EU demonstrates this fact."

"This is the most important political event," he said, and "we must not forget that for the first time in history, Europe is looking at Latin America without first looking toward the north for an answer."

The minister also indicated that Mercosur has achieved the "highest level political coordination," in addition to creating "a free trade zone between the two blocs, which are the only two customs unions in the world."

Ramos explained that the EU is cooperating with the integration process so that it can be improved, and today "it has become our main trading partner and our largest investor."

He maintained that Mercosur's biggest bet is regarding "the negotiations and preferences with the countries of the ALADI [Latin American Integration Association], which must now become multilateral in a negotiation formula of four (bloc) and one (country)."

Agreements With Bolivia, Chile, and Mexico

He added that the negotiations for the creation of a free trade zone between the bloc and Bolivia are very advanced, and he explained that on 31 March 1996 an agreement could be reached with Chile.

"Our country is very interested in ensuring that the negotiations succeed, and we will try to include Mexico because it is a very important market for Uruguay."

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The minister also maintained that Mercosur is a process within which Uruguay has adapted itself in a better way and more quickly than its partners, and he added that "we must continue to work in order to reconvert our enterprises because they have to compete throughout the world."

"Our country must achieve a fiscal balance, it must do away with inflation, and it must achieve an opening of its economy, but we also have to create a policy that will stimulate those sectors that have demonstrated that they can be competitive, and we must have a management criteria that includes flexibility in the labor rules and regulations," he said.

An Inevitable Process

He stressed that this "is an inevitable process," because Uruguay had to open its economy to the world, and he indicated that Mercosur has helped to make all these changes.

He said that the bloc "is not a panacea," but it is an opportunity because it would be impossible to go out into the world to compete with the very small competitive capability that our country has."

He stated that 50 percent of Uruguay's exports go to the region's countries and this is why Mercosur "must be looked upon as a domestic market."

Ramos stressed that "Uruguay now has what it never had before because, due to our physical and economic size, we would never have achieved a domestic market with the characteristics of Mercosur."

Finally, he indicated that the central government, businessmen, unions, and the media "are those who should inform the people of the improvements that can be achieved with the inevitable union of states."

Uruguay: Daily Interviews Army Commander on Plans

PY2903205096 Montevideo LA MANANA in Spanish 20 Mar 96 pp 4, 5

["Exclusive" interview with Lieutenant General Raul Mermot, Army commander in chief; place and date not given]

[FBIS Translated Excerpt] [LA MANANA] What course have you set for the Army under your command?

[Mermot] I have been Army commander in chief for one month now. I am reviewing all the background material on hand and our activities for the near future. Above all, I am taking into account all the activities that have been carried out so far, especially through Lieutenant General Curutchet [former Army commander in chief], with whom I have been working for one year and whose working style I share.

First, I want Army personnel to achieve top professional level. I want military professionals to be viewed differently. Graduating with honors and accumulating honors, which would serve them for their entire military career, should not be taken into account as the only rating system for military personnel. They will have to excel to keep their posts. [passage omitted]

[LA MANANA] The Army is a closed institution. As such, there has been a lot of talk and accusations about the existence of sects or groups, with names of officer classes, which could be acting against institutional and national laws. Do these groups exist within the Army?

[Mermot] Some press sectors have been talking about lodges and sects during the first months of this year. Here (in the Army) I have actually discovered the existence of groups with various similarities. Many of these groups have been working for the Army. Their goal involves seeking — usually well-meaning — solutions for the benefit of the institution.

We have been extensively discussing and reviewing this issue. I must clearly say I cannot include the term lodge in military jargon. There have been some groups which, over their similar assignments in their units and over their way of viewing internal military issues, have been working together. I must clearly say, however, that these groups have not affected whatsoever the Army leadership.

Following my speech of 1 February (when I assumed my post before all the generals, high-ranking officers, and NCO's), I issued internal guidelines a few days ago. In these guidelines I am saying we have to reinforce today's and our future dignity.

Concerning the commentaries and reports published by those press sectors, which, to a certain extent, have an impact on daily military life, to the point that we have received 24 petitions from 24 courts of honor based on these careless anonymous accusations published by the newspapers, I am saying they are useless because they have no moral value.

To a certain extent, these press reports have prevented us from doing the job we actually want for the Army and for our country, and we had to handle the problems arising from all these reports which, fortunately, are groundless. [passage omitted]

[LA MANANA] Is there a goal of sending new peace missions abroad?

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[Mermot] No. For the time being, we only have scheduled the departure of another group that will replace those who already have completed their period of service in Angola and who are scheduled to leave the African continent in June. [passage omitted]

[LA MANANA] Concerning the Army Organizational Law, are you considering the possibility of changing it to reduce the number of generals and amend other provisions involving professional qualifications?

[Mermot] We, at the Board of Commanders in Chief [Junta de Comandantes en Jefe], are reviewing the possibility of making some changes. At this moment, I believe it is inappropriate to announce these changes.

These changes actually are aimed at improving (Armed) Forces operations. As I just told you, these changes include, for example, the rating system, the military career program, which is also included in the law, the holding of posts, and the distribution of assignments. In a nutshell, all these things could be included in a possible amendment that must be unanimously achieved and presented to the executive branch for reviewing and sending it, if deemed appropriate, to Congress for approval. [passage omitted]

[LA MANANA] In keeping with the reduction of expenditures, are you considering the possibility of further reducing the number of Armed Forces troops?

[Mermot] We believe the reductions that have already been made are sufficient. Therefore, we believe that further reductions should not be made. As a goal, we are now involved in professional activities. Above all, we are striving to become increasingly useful to our country and our people.

In this regard, we have also created incentives to improve the status of our officers who, through courses and their achievement of top ratings, are given the possibility of choosing their assignments and participating in some courses abroad. We receive special invitations for these courses.

Uruguay: Central Bank President To Resign 'Soon'

PY2903191196 Montevideo EL OBSERVADOR in Spanish 13 Mar 96 p 3

[Article by Alejandro Ferreiro]

[FBIS Translated Excerpt] High-ranking government sources have told EL OBSERVADOR that Central Bank President Ricardo Pascale has told President Julio Sanguinetti that he intends to resign and will leave his post soon.

Government sources said this will be the only significant change at the start of Sanguinetti's second year. There will be no other replacements in the cabinet or in the economic team.

The sources added that Pascale's departure is strictly for personal reasons and, even though the president has made great efforts to maintain Pascale in his post, his resignation will be confirmed. [passage omitted]

[Montevideo EL PAIS in Spanish on 14 March carries the following on page 7: "Following the confirmation of the departure of Central Bank President Ricardo Pascale, who resigned during the second half of November 1995, current Central Bank Vice President Humberto Capote will become the Central Bank president and Julian Moreno, current Economy Ministry director general, will join the Central Bank Board of Directors."]

Uruguay: Industry Minister Defends Economic Policies

PY3003034096 Montevideo EL OBSERVADOR in Spanish 12 Mar 96 p 9

[Article by Ignacio Gabriel]

[FBIS Translated Text] Federico Slinger, industry, energy, and mining minister, yesterday defended the government-defined economic policy priorities when he said that the government advocated the creation of general conditions for industrial development. The minister said that proof of this objective is that we no longer talk about over-valuation of our currency.

Slinger referred to some items of paper industrialist Mario Tarabal's speech during a ceremony at the company Cicssa. President Julio Maria Sanguinetti also participated in this ceremony.

The minister said that his Ministry understood that "the first thing we had to do" was to create "the general conditions for industrial development."

The minister, who spoke immediately after Tarabal, said that the industrialist did not once mention the over-valuation of our currency. "He did not mention it because the problem no longer exists," Slinger said.

The Balance

Slinger said that "industrial development was not possible in a deeply unbalanced economy," adding that "the first effort was to recover some important balances."

Slinger said that the government was successful in some aspects. "You must recall that until September of 1995 the most common topic in these type of meetings was over-valuation."

The minister said "it is probable" that there was a problem before, but "today we no longer speak about it ceased to exist in September."

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"This was not God's doing. The problem was solved thanks to the overall effort of those behind a serious policy designed to face some specific things," the minister said.

Slinger insisted that we cannot have "a really serious and solid" industrial growth unless it is based "on an economy that has started stabilizing, an economy that has started respecting essential balances. This was the government viewpoint and this is what we are after."

Stages

Slinger said the job was to consider other things besides the macroeconomic balances, but "we have also attacked cost factors."

"Just as the case of Cicssa, industries must eagerly bet on productivity." The minister said "the true concept" of productivity "is cost reduction."

Slinger stressed government measures on energy costs and the possibility of having alternative energy sources available "in two years." The minister stressed the importance of natural gas as an energy alternative.

The minister said that gas can force a price reduction of other energy sources, which he said was an example of improving productivity.

"People in this country have a very poor memory and they usually do not read," the minister said, referring to the issue of unfair trade practices. Slinger recalled that the anti-dumping law was approved in December 1994. Slinger said that the norm reproduces the WTO agreement and a decree "cannot override a law."

The minister ruled out the possibility of modifying basic aspects of the law, and the decree, therefore, only establishes procedures. The minister said the same rule applies to the issue of subsidies.

Public Sector Role

Cicssa executive Mario Tarabal, who also has a leading role in the Uruguayan Industries Chamber, stressed that the paper industry adapted to the new economic conditions thanks to Mercosur [Common Market of the South] and the economic opening, making new investments and introducing technological improvements, which resulted in higher levels of production and productivity. As an example of this effort, Tarabal mentioned that the company will incorporate new equipment this year and next year.

Tarabal stressed, however, that the base holding together the private sector "could break" without the support of the public administration.

Tarabal said that the government should approve measures "giving legitimate incentives" to competitiveness and "avoiding unfair practices that can hurt our access to foreign markets and introduce a serious risk into our internal market."

Tarabal also mentioned "the demands that industry has constantly made to the executive branch." The industrialist recognized that some demands "have been satisfied," but added that their group also expects the government "to provide answers for other concerns."

Uruguay: Sanguinetti Said To Maintain Popularity

PY2903210696 Montevideo EL OBSERVADOR in Spanish 6 Mar 96 p 9

[Unattributed 500-word copyrighted article: "Sanguinetti Maintains His Popularity"]

[FBIS Translated Summary] The results of a poll by Equipos Consultores Asociados on the president's popularity were released. The nationwide survey of 1,000 persons between 16 and 23 February showed that despite considerable fluctuations in popularity, President Julio Maria Sanguinetti begins his second year in office with the same support he had when he acceded to the presidency, namely 24 percent. While levels of endorsement for the Sanguinetti administration remain relative stable from the first public opinion survey conducted one month after Sanguinetti took office in March 1995 to the latest poll, levels of disapproval have climbed from 37 percent of those surveyed in April 1995 to 49 percent of those polled in February 1996. This indicates the habitual loss of face incident upon the discharge of presidential duties. The poll reveals that the head of state was more popular with the people from the interior, senior citizens, and the lower social strata both as regards means and standard of education. Politically speaking, support for Sanguinetti comes from members of the Colorado Party and from those who define themselves as being on the political right or center-right.

Venezuela

Venezuela: Colombian Guerrillas Breach Border Security

PA3103130296 Caracas EL NACIONAL in Spanish 29 Mar 96 p D4

["Special" report by Alonso Zambrano]

[FBIS Translated Text] Maracaibo — The Army's "Lieutenant Luis Medina" Border Protection Base located in Socuavo, Catatumbo jurisdiction, was invaded three times in the early hours of 24 March from Colombia.

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The military post's defense plan was activated and the attackers withdrew to neighboring villages where the guerrillas have their logistical centers and support networks.

No casualties were reported as a result of the incident. However, the alert systems at the base were expanded.

Colonel Freddy Presulto Laureti, commander of the Joint Task Force 1.2 and the Sur del Lago Garrison confirmed that the invasions took place. He added that the situation in the area is normal and that military surveillance continues.

Since November 1995 the guerrillas have breached the security of Task Force 1.2 six times.

Colonel Presulto said that those actions are carried out by guerrilla groups trying to intimidate the Venezuelan Armed Forces and lower their morale. He added that they will not achieve their objective and that they are being effectively repelled.

He said that between 300 and 400 men linked to the FARC [Revolutionary Armed Forces of Colombia], the ELN [Army of National Liberation], the Camilist Union, and the dissident EPL [Popular Liberation Army] are operating on the Colombian side.

The Venezuelan Air Force has also reinforced border surveillance of Colombia, increasing patrols during the past few days with F-16, Bronco, and Mirage planes.

Venezuela: Official Comments on Meeting With IMF Mission

PA3103141896 Caracas EL NACIONAL in Spanish 29 Mar 96 p E8

[Report by Yolanda Ojeda Reyes]

[FBIS Translated Text] The executive branch has agreed to receive in quarterly payments the 1995 dividends obtained by Venezuelan Petroleum, PDVSA, which totaled 392 billion bolivares according to the enterprise. Rodrigo Peraza, chief of the Central Budget Office, said that "although we expected more, the sum is close to what we had estimated in the budget."

Peraza said that the 1995 results were reviewed during a meeting with an IMF mission headed by Carlos Muniz. Those figures will be the basis for the IMF annual report on its member countries.

The IMF "recognizes the efforts conducted to change the tax system." In 1994, the fiscal product resulting from the General Sales Tax was 3.14 percent of the GDP and in 1995 it reached 4.5 percent of the GDP. "That achievement is largely due to the work conducted by Seniat [Integrated National Service for Tax Administration] and tax collection efforts," Peraza said.

Regarding the Treasury's position, Peraza explained to the IMF mission that as of 31 December, the Treasury's deficit was 278.270 million bolivares — 2.1 percent of the GDP — a percentage slightly lower than the one registered by the end of 1994. The budget adjustments will not affect the needs of the complementary semester, because the payments of 351.545 million bolivares that were transferred for this year do not have to be made until 30 June.

The fiscal deficit, excluding the debt payments, closed at 4.44 percent of the GDP, or 589.612 million bolivares. A deficit of less than 3 percent is expected this year, according to the established goals.

Peraza said that the subject of budget adjustments was not discussed because this time the IMF only wanted the basic information for 1995. "The IMF was interested in knowing how we plan to handle our budget reality, independently of what means will be used, as fiscal discipline is what counts."

Regarding the PDVSA's dividends, Peraza said that the IMF agreed with that action because the relation is strengthened by the [government's] position of shareholder in the industry. The IMF also agreed on the need to revise the contribution that the oil industry makes to the national finances, which was viewed as a "very healthy" measure.

The dividends will appear as income in the next fiscal year. Regarding the interpretation that the government should return resources to the industry, Peraza said that "based on accounting procedures, fiscal authorities receive the resources and then make the respective payments in accordance with the financial plans and priorities."

Venezuela: Defense Minister Dispels Rumors of Coup

PA3003024696 Caracas EL GLOBO in Spanish 27 Mar 96 p 2

[Report on an interview with Defense Minister Moises Orozco Graterol by Judith Martorelli; place and date not given]

[FBIS Translated Excerpt] Dispelling rumors of a reported conspiracy for a coup, Defense Minister Moises Orozco Graterol has affirmed that "everything is quiet" in the garrisons.

According to Orozco, there is no connection between those who "live and die thinking about a coup d'etat

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and the Armed Forces officers, who are aware of the constitutional role they should play in democracy."

Four reportedly active members of the 200 Revolutionary Bolivarian Movement were arrested on 25 March as the result of the investigations conducted by the Interior Ministry on reported destabilization plans.

[Martorelli] Are there any conspiracies against the government? Can the detained individuals be accused of conspiracy?

[Orozco] I have talked with the Disip [Directorate of Intelligence and Prevention Services] director and have been informed that four individuals, including a retired colonel, have been arrested. Nevertheless, this area is one in which I am not supposed to report, because it falls within the parameters of the Interior Ministry. I am not familiar with the facts and have nothing else to report.

[Martorelli] Can the detained individuals contact active Armed Forces members?

[Orozco] Absolutely not. Everything is quiet in the garrisons. The officers are very sure of their role. The Armed Forces' actions on 4 February and 27 November leave no room for doubt. The Armed Forces have demonstrated that they are united and determined to preserve constitutional order and to defend the democratic system. I can prove that garrison officers are not thinking about any conspiracies or anything like that.

[Martorelli] Why were those individuals detained?

[Orozco] There is political freedom in Venezuela, and everyone can think about the best solution to the country's problems but not the Armed Forces. Nevertheless, some people have been thinking since they were born that the solution lies in a coup. Such people will die still thinking along the same lines. Many people have devoted their entire lives to this idea.

Orozco also has said the Armed Forces' counterdrug actions are a cooperation with the police to fight this scourge and to keep it from "destabilizing the system, as has happened in other countries."

He has ruled out that the Armed Forces' fight against drug trafficking can be interpreted as an expression that they will turn into a counterdrug police in accordance with the U.S. endorsed policy for the American continent's military.

He has said: We fight drug trafficking because we are present at the border. We alone have access to poppy plantation sites. These are thick jungle areas that can be reached by helicopter only. It is virtually impossible for the PTJ [Technical Judicial Police] to reach these sites, because they do not have the resources. It is the Armed Forces' duty to fight the scourge endangering the country's safety and defense.

Orozco has said that the Armed Forces' function is well defined by the Constitution and that for this reason at no time could they be "policemen devoted to fighting drugs." [passage omitted]

Venezuela: Minister Comments on Destabilization Groups

PA2903201096 Caracas Venezolana de Television Network in Spanish 1530 GMT 29 Mar 96

[Report by Mileskia Oropeza]

[FBIS Translated Text] Venezuelan state security organizations are investigating the explosives found yesterday and this morning, and the initial impression is that destabilization groups are involved in this.

This is what Interior Minister Jose Guillermo Andueza said:

[Begin recording] [Andueza] I hope this works against those who are doing these things for political propaganda purposes. I think these boxes of explosives should not harm anyone who is just passing by at the wrong time, but should hurt those who place them, who want to produce a negative psychological impact. What they want to achieve by placing explosives at the exit to a metro exit is to make people believe there is no security in the country.

[Unidentified reporter] Could it be that bankers are behind this, considering this happens every time a decision is adopted against bankers on trial?

[Andueza] I cannot reveal anything because this would violate the confidentiality of proceedings. I give information and names [words indistinct]. [end recording]

The minister said that once it is determined who committed these criminal activities they will be placed at the disposal of a court.

Venezuela: Defense Minister Comments on Caracas Attacks

PA3103013896 Caracas Venezolana de Television Network in Spanish 0230 GMT 30 Mar 96

[FBIS Translated Text] Because of the attacks perpetrated in Caracas yesterday, Defense Minister Moises Orozco Graterol has said the Armed Forces are ready to deal with any situation that might require military intervention.

Despite the attacks in various places in the capital, Orozco Graterol has said that an Armed Forces action

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is not justified and that it is not necessary to alarm the country, let alone create a situation of tension in the population. He has said that he does not know who the perpetrators of these terrorist actions are but that he has certain suspicions:

[Begin Orozco Graterol recording] I believe these actions have been perpetrated by individuals interested in creating unrest and uneasiness in the people. Disip [Directorate of Intelligence and Prevention Services] handles such situations through the Interior Ministry. The military authorities' intervention and investigation have not been necessary so far. [end recording]

He also has confirmed fresh attacks by the National Liberation Army at the Colombo-Venezuelan border. He thinks these continual harassments are taking place because the Venezuelan Armed Forces are always active in this area to keep gasoline from being smuggled into Colombia. On an attack along the Catatumbo River area two weeks ago, he has confirmed that six Colombian guerrillas were killed by Venezuelan forces.

It has also been reported that the Sucre municipal police have arrested a 39-year-old man who is a chemistry professor at the Avila secondary school and who reportedly helped plant explosives last night. The professor and a companion, who escaped, had apparently activated an explosive along the Petare metropolitan railroad but fled on seeing the police approach. Eduardo Jose Garces Flores failed to take into consideration the presence of several Sucre Municipality officials while preparing to plant more of the explosive devices:

[Begin Eugenio Rojas, chief of police in Sucre Municipality, recording] The explosive devices consisted of two bombs tied to a bundle of leaflets with a subversive message. The leaflets mentioned no specific organization. In addition, Garces Flores said he did not belong to any political party. [end recording]

In addition, Interior Minister Jose Guillermo Andueza, discussing the matter, was very brief. He has confirmed, however, that government security agencies are investigating the incident:

[Begin Andueza reporting] I cannot say or reveal any information on the matter, even if I knew—and I do not know—because such a revelation would alert the person involved. [end recording]

Andueza met in private with the mayors of the metropolitan area on Friday morning. At the end of the meeting, the president of the Council of Metropolitan Mayors said a security operation for such emergencies is being planned.

Garces Flores was taken to Disip headquarters, which will continue to conduct the corresponding investigations.

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